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OFFICE OF THE MAYOR
SAN FRANCISCO



WILLIE LEWIS BROWN, JR.

TREASURE ISLAND PROJECT
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1/12/2000
**TREASURE ISLAND DEVELOPMENT AUTHORITY
AGENDA FOR REGULAR MEETING
WEDNESDAY, JANUARY 12, 2000 - 1 P.M.**

Room 400, City Hall
1 Dr. Carlton Goodlett Place

Willie L. Brown, Jr., Mayor

DIRECTORS

John Elberling, Vice-Chairman
William Fazande
Susan Po-Rufino
Doug Wong

Gerald Green
Anne Halsted
James Morales

Annemarie Conroy
Executive Director
Treasure Island Development Authority

DOCUMENTS DEPT.

ORDER OF BUSINESS

JAN - 7 2000

**SAN FRANCISCO
PUBLIC LIBRARY**

1. Call to Order and Roll Call
2. Approval of Minutes
3. Communications
4. Ongoing Business by Directors and Introduction of New Business by members
5. Report of the Treasure Island Project Director Annemarie Conroy
 - Report on access to Treasure Island including public use last month
 - Status of environmental clean up
 - Report on short-term leases
 - Report on San Francisco-Oakland Bay Bridge/Caltrans issues
 - Report on TIHDI
 - Legislation/hearings affecting Treasure Island
6. Public Comment
7. Resolution authorizing negotiations with California Engineering Contractors for lay down area on Treasure Island for retrofit of west span of Bay Bridge (*Action item*)
8. Resolution authorizing sublease with California Engineering Contractors for lay down area on Treasure Island for retrofit of west span of Bay Bridge (*Action item*)

9. Resolution extending term of Master Lease with U.S. Navy and amending Master Lease to add two additional parcels on Treasure Island (*Action item*)
10. Resolution approving an amendment to Authority's Lease with U.S. Navy to add 36 units for use by the Treasure Island Homeless Development Initiative (TIHDI) on Treasure Island (*Action item*)
11. Resolution approving amendment of existing sublease with Catholic Charities to add 36 housing units (*Action item*)
12. Adjourn

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Notes



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**Minutes of Special Meeting
Treasure Island Development Authority
December 15, 1999**

DRAFT

Call to Order: 2:07 p.m. in Room 416, City Hall

Roll Call: Present: John Elberling, Vice Chair
James Morales
William Fazande
Anne Halsted
Doug Wong

Excused: Gerald Green
Susan Po-Rufino

2. Approval of Minutes The minutes were approved
3. Communications The Commission Secretary stated that there had been none
4. Ongoing Business by Directors and Introduction of New Business by members- There was none.
5. Report of the Treasure Island Project Director Annemarie Conroy
 - Report on access to Treasure Island including public use last month- Ms. Conroy listed various activities including organized rugby, filmy by Bay Area Backroads
 - Status of environmental clean up- Since Martha Walters was ill, no report was given
 - Report on short-term leases- Ms. Conroy reported two: Makowski Productions is leasing for two months a 5000 square foot portion of Building 9 for photo shooting and Rex Liu is on a month-to-month lease for the photo and souvenir shop near the main gate.
 - Update on marina negotiations- Development Director Stephen Proud reported that in accordance with the milestones contained in the Exclusive Negotiating agreement with TIE, a term sheet should have been presented to the Authority. However, several complex issues need to be resolved before such the sheet can be presented. Mr. Proud estimates that at least another 90 days is needed to complete a term sheet.
 - Report on San Francisco-Oakland Bay Bridge/Caltrans issues- Ms. Conroy stated that she will report on the matter at the next meeting since she had been on leave and has not yet received a full briefing from staff.
 - Report on TIHDI- Ms. Sherry Williams, TIHDI Executive Director reported that she would give a detailed report as a part of Item #9 on the agenda.
 - Legislation/hearings affecting Treasure Island- Ms. Conroy reported that there was none.

Ms. Conroy asked Mr. Bob Mahoney, Deputy Executive Director, to report on the Community Meeting held on December 7th under the auspices of the John Stewart Company (JSC). Mr. Mahoney reported that representatives from Muni, AC Transit and Intra-E, an alternative phone and internet provider, were present. Mr. Mahoney stated that residents had questions regarding the Brig and future development on Treasure Island and that future meetings might be jointly convened with TIHDI and the JSC.

Mr. Fazande inquired about increased Muni service and Mr. Mahoney stated that Maggie Lynch, Muni representative, stated that she would convey the request to Muni management. Mr. Elberling, who attended the meeting, stated that Muni promised nothing.

6. Public Comment: Ruth Gravanis urged that the eel grass beds and mudflats in Clipper Cove be protected and that parking for the new marina development be minimized.

7. Resolution authorizing negotiations with California Engineering Contractors (CEC) for lay down area on Treasure Island for retrofit of west span of Bay Bridge (*Action item*)

Mr. Proud explained the background of the request stating that CEC was the successful bidder for Caltrans' retrofit of the east span of the Bay Bridge. Five other firms had bid on the contract and several had approached the Project Office for the cost of a sublease. CEC seeks 3.5 acres of land on a vacant, unpaved lot. The proposed uses would consist of temporary offices in modular units, delivery and storage of fabricated steel, refueling of vehicles and storage of other items. Mr. Proud stated that the Project Office has requested that CEC fence the site and have established requirements for truck traffic. CEC seeks a three-year lease but the Authority would retain the right to terminate with six months notice. The cost to CEC is projected to be 15 cents per square foot or \$25,000 per month. CEC would be responsible for all other costs. Because the item seeks authorization for sole source negotiations, a 4/5 vote of all appointed Authority members, is required.

Ms. Halsted inquired about requirements for the condition of the property when CEC vacates. Mr. Proud stated that because environmental issues are at the forefront of the proposed sublease, CEC will be required to leave the property in the same state which they received it. CEC will most likely lay down a concrete pad as a protection.

Mr. Morales asked the following questions: Why are we doing this? What are the alternative sites? What will be the impacts upon residents? How consistent is this proposal with the reuse plan?

Mr. Proud responded that CEC will bring in an interim revenue source, stay on TI for a fixed three-year term and their usage is consistent with the reuse plan because it is a short-term use that generates revenue without interfering with long-term development plans. Ms. Conroy added that approval of a sublease indicates TIDA's support for the interim retrofit of the western span of the Bay Bridge. Mr. Proud stated that impacts will be localized and won't affect residents. Mr. Proud stated that truck traffic will take a separate route from residents' routes.

Mr. Morales asked what kind of trucks CEC will use and the frequency of trips onto TI. Mr. Proud responded that CEC would bring one semi truck every three to four days and use smaller trucks on a daily basis.

Mr. Fazande asked about the storage of hazardous materials. The President of CEC stated that fuel would be stored onsite as well as paint materials extracted from the bridge which will be housed in an enclosed building. Authority members discussed the issue of toxicity and asked what governmental agencies regulated hazardous materials on TI. Mr. Elberling asked about airborne hazardous waste.

Since 4/5 of the total TIDA membership is required to approve sole source negotiations, the Authority could not vote on the item since just 5 members were present and six are needed. Mr. Elberling requested that the item be considered at the January meeting and that questions about hazardous wastes be responded to.

8. Resolution approving sublease with San Francisco Little League (SFL) (*Action item*)



Mr. Proud explained that the field was constructed by the Navy to Little League specifications and that SFLL is responsible for bringing the field up to play specifications. SFLL would receive preferential scheduling and when the field is not in use by SFLL, four priority users could contact SFLL to schedule time. The four users are TIHDI affiliated residents, Delancey Street residents, TI School students and residents of the John Stewart units.

At the request of the Project Office, Rubicon estimated the cost of initial improvements to the field at \$12,000 plus an additional \$9,000 annually in maintenance. The value of the total sublease is \$34,000. In addition, if SFLL chose to rent the facility to a third party, such fees must be approved by the Executive Director and be used to maintain the premises. The term of the lease is 2.5 years with the Authority retaining the right to terminate the lease six months earlier. SFLL is not required to pay rent.

Public Comment: Jesse Tepper stated he was excited about the project.

Mr. Morales asked if spontaneous public use is permitted and Mr. Proud responded that because the field is not locked, individuals could use the field if the field was not in use by others. Organized use must be approved by the SFLL.

Mr. Fazande moved approval and Ms. Halsted seconded the motion. Approved, 5-0.

9. Resolution authorizing contract with Treasure Island Homeless Development Initiative (TIHDI) for no more than \$75,000 to facilitate participation of service organizations in implementing base closure homeless assistance agreement and option to lease real property (*Action item*)

Mr. Mahoney explained the how proposed funding would be used and asked that Sherry Williams expand on the proposed contract. Ms. Williams stated that TIHDI's first residents will be moving in today (December 15th) under the auspices of Walden House and that an additional 17 families will be coming under the auspices of Catholic Charities before Christmas. Ms. Williams added that 70 economically disadvantaged people are working on TI through the Job Broker program which includes Toolworks, Rubicon, the John Stewart Company, the Flea Market, the Treasure Island Marina and TIHDI's rehabilitation.

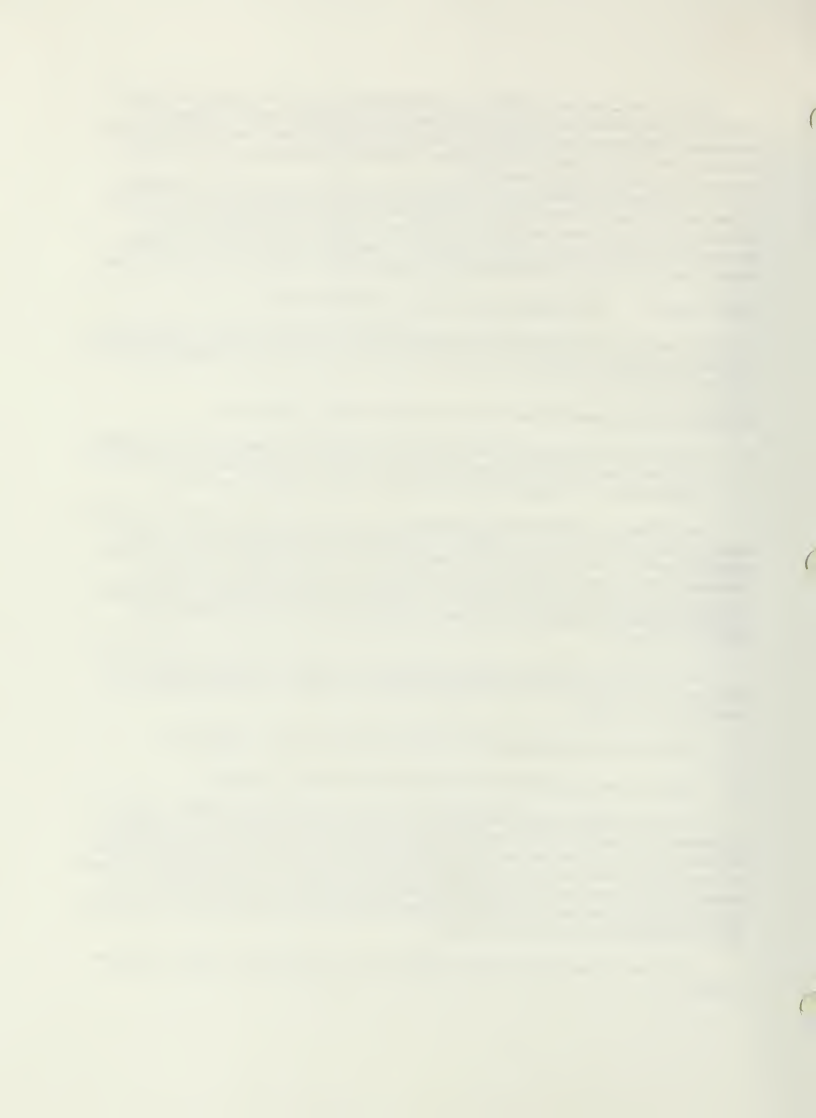
Ms. Williams expressed appreciation to TIDA staff. Staff and TIDA Directors complimented TIHDI on its work. In response to Mr. Elberling's question, Ms. Williams stated that TIHDI's total annual budget is \$750,000.

Ms. Halsted moved approval and Mr. Fazande seconded the motion. Approved, 5-0.

10. Resolution approving sublease with convenience store operator (*Action item*)

Mr. Proud explained the basic provisions of the sublease and indicated that Ms. Susie Pak, the convenience store operator will sublease 10,000 square feet on 13th and H, adjacent to the housing area. The structure provided by the operator will be 7400 square feet and Mr. Pak will provide the following services: rental of videos and DVD's, sale of groceries, drop off for dry cleaning and laundry. Ms. Pak is responsible for all improvements including accessibility and to meet all codes. The sublease will run concurrent with the John Stewart Company's with the maximum term terminating 3/1/06. The particular site will be guaranteed to Ms. Pak for three years.

Mr. Proud indicated that Ms. Pak has established a 10% hiring goal from TIHDI's Job Broker program.



Mr. Dan Levine from the John Stewart Company discussed the site layout and landscaping plans for the site.

Ms. Halsted urged the operator to stock fresh meats and vegetables. Mr. Morales asked if the hours of operation were contained in the sublease and Mr. Cohen responded that a requirement could be added in the sublease that the hours be approved by the Executive Director. Mr. Elberling stated that he preferred that the hours not be specified in the sublease but that they be approved by the Executive Director.

Ms. Pak indicated that the store will be open seven days per week..

Public Comment:

Sherry Williams stated that the store should carry basics because few of the TIHDI residents will have cars and urged the Authority to get the project underway. Bruce Franks, TIHDI, stated that he talked with the store operator who stated that the workforce hiring plan is 50%. Ruth Gravanis stated that she is eager for store, delighted that the store will provide info on transit information and expressed concern about recycling.

Mr. Elberling stated that the sublease should specify 7 days per week operation with the hours approved by the Executive Director and asked that that be included in any motion.

Mr. Morales moved approval, as amended regarding Executive Director approval of store hours. Ms. Halsted seconded. Approved, 4-0.

11. Resolution authorizing the release of funds for an amount not to exceed \$200,000 to the Department of Public Works to fund an extension of the contract with Geomatrix to continue to provide technical oversight of the U.S. Navy's environmental clean-up program on TI (*Action item*)

Mr. Mahoney explained that the \$200,000 is not additional to the already approved \$500,000 for environmental services but is a part of the amount. He indicated that the contract extension will also be brought to the Board of Supervisors for its approval because the Board had placed a portion of the necessary funds on reserve.

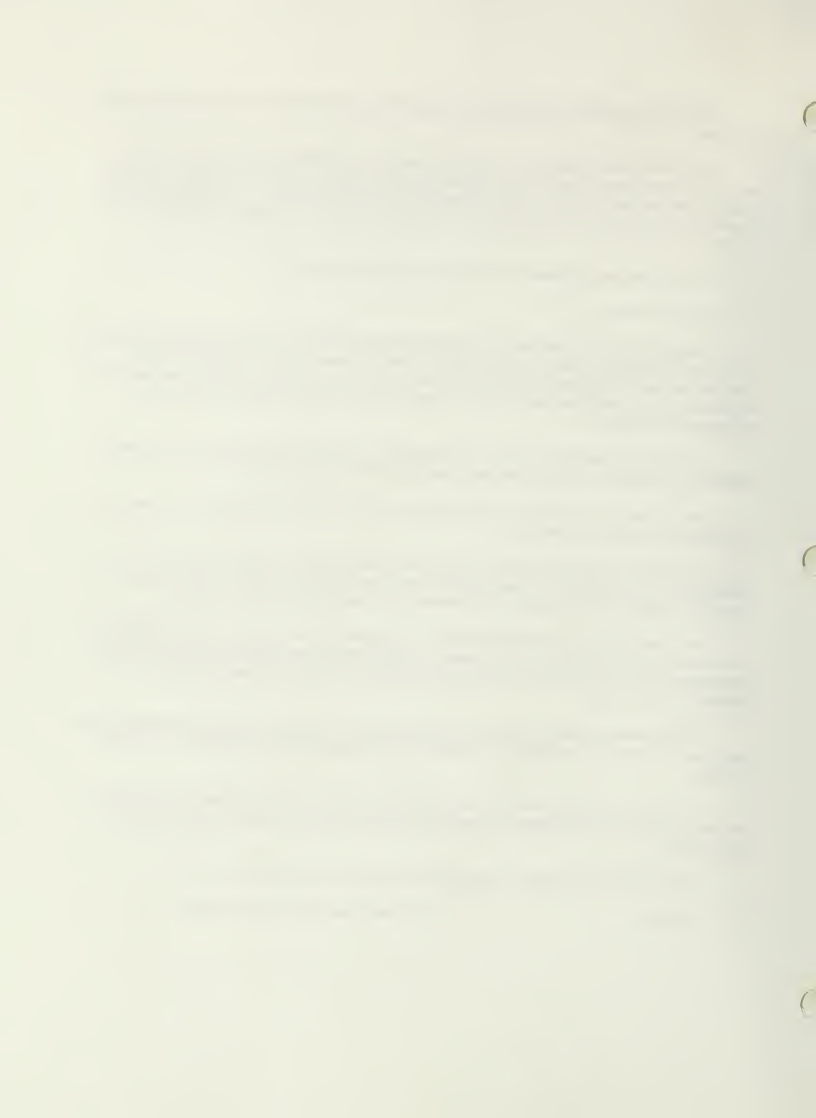
Mr. Fazande requested that monthly reports be made on the progress of clean-up, monitoring and individual documents on the subject. Ms. Conroy added that Geomatrix keeps the Navy and regulators moving.

Jim Morales asked why the funds had been placed on reserve and Mr. Mahoney responded that the Board of Supervisors desired more information on the work to be performed, including a detailed scope of work.

Mr. Morales moved approval, seconded by Mr. Fazande. Approved, 4-0.

12. Adjourn

The meeting was adjourned at 3:30 p.m.



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AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Subject: Resolution Authorizing the Executive Director
To Enter into Sole Source Negotiations with
California Engineering Contractors

Agenda Item No. 7
Meeting of January 12, 2000

Contact/Phone: Annemarie Conroy, Executive Director
Stephen Proud, Director of Development
274-0660

SUMMARY OF PROPOSED ACTION:

This action provides authorization for the Executive Director to enter into sole source negotiations with California Engineering Contractors for lay down space on Treasure Island.

BACKGROUND

In July of 1999, the Treasure Island Development Authority (TIDA) was contacted by several firms bidding on a contract with Caltrans for the seismic retrofit of the western span of the Bay Bridge as to the availability of lay down space on Treasure Island. In response to those inquiries Authority staff issued a letter outlining the general terms under which the Authority would consider leasing lay down space on Treasure Island, but noted that any final agreements would be subject to the approval of the TIDA Board, in its sole discretion. Caltrans awarded the retrofit contract to California Engineering Contractors (CEC) and CEC subsequently contacted the Authority and submitted a proposal for the lease of lay down space. Under the Authority's Rules and Procedures for the Transfer of Real Property, the authorization to negotiate such a sole source contract requires a 4/5 vote of the Authority's Board of Directors.

The following provides an overview of the CEC proposal including a description of the location and site plan; a summary of the proposed uses; an outline of the issues related to use; and a discussion of the proposal relative to the goals of the Authority.

LOCATION AND SITE PLAN

CEC is requesting use of approximately three and one half acres of land located near the center of Treasure Island (attached as Exhibit A). The area encompasses an entire block, which is unpaved with a small structure on the western edge of the property. Immediately to the east of the proposed site is the former Navy Exchange Building (#201) and to the immediate west of the block is the old medical/dental facility (#257). Both of these buildings are vacant and will not be leased on an interim basis and are likely to be demolished/deconstructed as part of the long-term redevelopment effort. There is an existing berm on the western edge of the site that acts as a buffer for the property. There is on-street parking on the eastern and northern edges of the property that will be used by CEC.



The areas to the south and north are undeveloped lots with no existing structures. Approximately two blocks to the north (about 600 feet) is the entrance to the residential areas of the Island managed by the John Stewart Company and to the northwest (approximately 600 feet) is the elementary school.

The proposed layout for the site includes an area for an office complex, a materials storage area, a parking area for crew trucks and equipment, and a paved area for refueling and light repairs on trucks and equipment (site plan attached as Exhibit B).

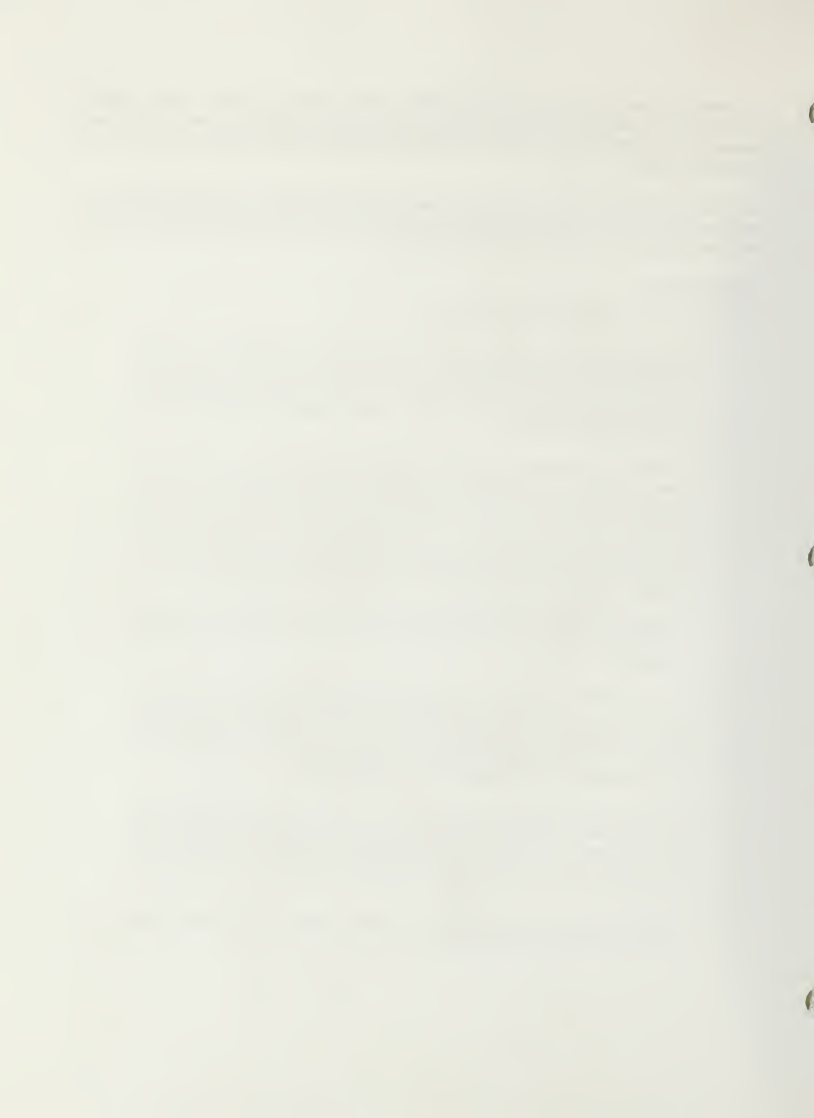
PROPOSED USES

CEC is proposing the following uses for the site:

- ♦ *Temporary Office Complex:* The office complex is comprised of several modular trailers coupled together. This would be the on-site location for various office related functions associated with the retrofit project and would operate during normal business hours. Approximately 25 office employees would be located at the site.
- ♦ *Delivery and Storage of Materials.* The site would serve as the delivery and storage location for fabricated steel used to retrofit the Bridge. The steel would be delivered to the site via semi-truck and disbursed to the job site (the Bridge) on an as needed basis. CEC estimates that 450 loads of steel would be delivered to the lay down yard over the three year term of the project, or approximately one load every three days. The redistribution of the steel to the bridge would require approximately 1,500 loads or 10 loads per week.

In addition to steel, CEC will store the paint used on the Bridge. This paint would be delivered to the site and stored in accordance with all applicable regulations.

- ♦ *Crew Assembly.* The retrofit work on the Bridge requires the work crews to assemble at a central location and then be dispatched to the job site in trucks and with equipment. Generally, the work on the bridge would be done at night and in the early morning hours. Thus, the crews would assemble at the lay down yard in the evening and return in the morning.
- ♦ *Equipment Maintenance and Storage.* CEC will use the site to store vehicles and equipment associated with the project. This includes bucket trucks, cranes, boom trucks, forklifts, crew trucks and compressors. In addition, CEC will use the site to conduct general maintenance and repairs on vehicles and equipment.
- ♦ *On-Site Refueling.* CEC proposes to use the existing diesel fuel storage tank to do on-site fueling of equipment.



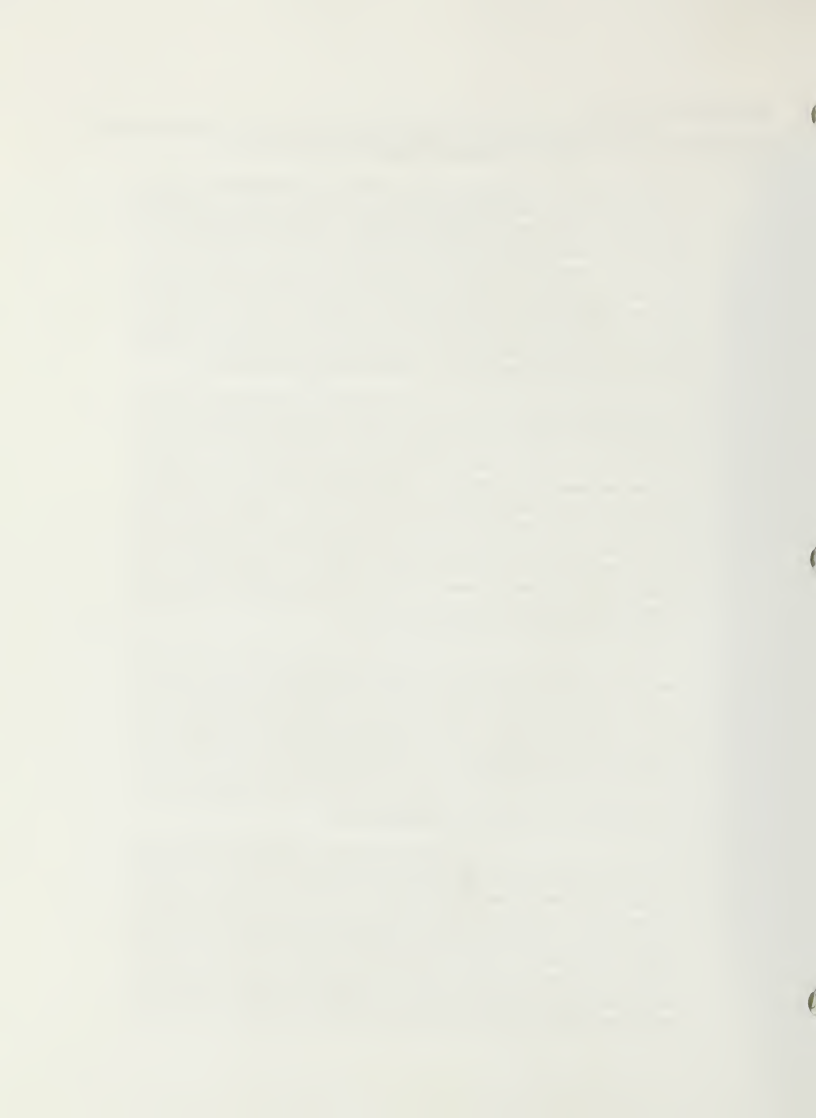
ISSUES RELATED TO USE

The following sections present information related to three primary concerns raised by the TIDA Board on December 15th, 1999 and Authority staff related to use of the site.

- ♦ *Traffic.* Despite the presence of several users on the Island that generate vehicular trips, such as the movie studios, Job Corps, residents, etc., traffic congestion on the Island is virtually nonexistent. While the proposed use of the lay down area will result in additional vehicular trips due to the delivery of steel and the assembly of work crews, staff believes that the number of trips associated with those uses will have little impact on Island traffic. However, because staff and the TIDA Board have expressed concern that traffic generated by the project may negatively impact the residential areas, CEC has agreed to a dedicated path of travel to the lay down area (attached as Exhibit C) for all deliveries and employment traffic that minimizes this impact.
- ♦ *Noise.* While most of the work associated with the retro fit project will occur on the Bridge, activities at the lay down area is expected to generate some noise on-site. To offset the noise impacts, CEC has agreed to do three things. First, they have agreed to comply with the City's noise ordinance as it applies to other residential areas of the City. This ordinance defines the noise levels that may be present during different times of the day. Second, in preparing the site plan, CEC has placed the office complex on the end of the site closest to the residential areas. The office buildings coupled with the earthen berm on the western edge of the site should serve as buffer to help minimize noise traveling to the residential areas. Finally, CEC has agreed to conduct the reclassification of grit at a site off Island. This will eliminate the compressor noise associated with the reclassification activity.

Staff feels it is important to note that while the activities at the lay down area may generate some on-site noise, the long-term development of the Island will involve numerous construction projects that will invariably generate noise and other construction impacts. For example, the demolition/deconstruction of buildings, the replacement of obsolete infrastructure, the construction of new facilities, etc., are all expected to occur on the Island over the coming years. The noise associated with the lay down area will be significantly less than those activities, and with the mitigations proposed above, staff feels the on-site noise can be contained to an acceptable level.

- ♦ *Hazardous Materials.* In its original proposal, CEC indicated that they would like to store materials generally classified as hazardous materials. The three primary constituents included diesel fuel for equipment and vehicles, paint for the steel used in the retrofit of the Bridge, and lead paint debris which is blasted from the Bridge and collected in blast rigs and separated into 55 gallon drums. In response to concerns raised by the Board, CEC and staff have agreed that the reclassification (lead separation) activity (the most intensive use of hazardous materials) should be conducted off Island, and thus the hazardous material associated with that use has been eliminated. With regard



to the diesel fuel, paint and any other substances considered hazardous, These are materials which already do and typically would continue to occur to Treasure Island. Like other users on the Island, staff has instructed CEC that they are required to comply with the Hazardous Materials and Waste Ordinances as administered by the San Francisco Department of Public Health, Bureau of Environmental Health Management, Hazardous Materials Program (a copy of the program flyer is attached as Exhibit D).

CONSISTENCY WITH AUTHORITY GOALS

As the Board knows, the primary responsibility of the Treasure Island Project Office is redevelopment and integration of the Island into the City and County of San Francisco. To that end, staff has taken great care to insure that decisions regarding interim leasing activities do not compromise opportunities for long-term redevelopment of the Island. However, the Project Office has also been charged with the task of making the redevelopment effort a self-supporting enterprise. To that end, staff continuously strives to find leasing opportunities that provide a steady revenue stream to the Authority but do not compromise the long-term vision of the Authority. Staff believes that the CEC proposal achieves those objectives for the following reasons.

First, CEC is requesting a lease term of three years. Staff's counterproposal is a three-year term with the right to terminate the lease with six months notice at the end of the second year. Although staff believes that it is unlikely that redevelopment would occur at the site within three years, since it is not a prime development site, the termination provision would allow use of the site if it were needed for long-term redevelopment of the Island. Staff estimates that the actions required to support long-term development (e.g., completion of the EIR/EIS, conveyance of the property, developer selection, negotiation of transaction documents, planning approvals, site preparation, and environmental clean-up) will take a minimum of two years.

Second, the proposed use of the site would generate significant revenues to the Project Office. Based on a proposed rent of \$.15 per square foot, the lease would generate approximately \$22,000 per month or \$265,000 annually. As with all other leases, CEC would be responsible for all utility costs, landscaping costs, security costs, and Common Area Maintenance (CAM) charges levied by the Navy.

RECOMMENDATION

Since, (i) CEC was the firm selected by Caltrans to conduct the retrofit; (ii) the project supports the public safety objective of seismically reinforcing the Western Span of the Bay Bridge; (iii) CEC has agreed to several mitigations to offset the potential negative impacts associated with the use of the property; and (iv) the proposed use of the site does not compromise the long-term redevelopment of the island and generates much needed revenues to the project, staff is recommending that the Authority authorize the Executive Director to enter into sole source negotiations with CEC.

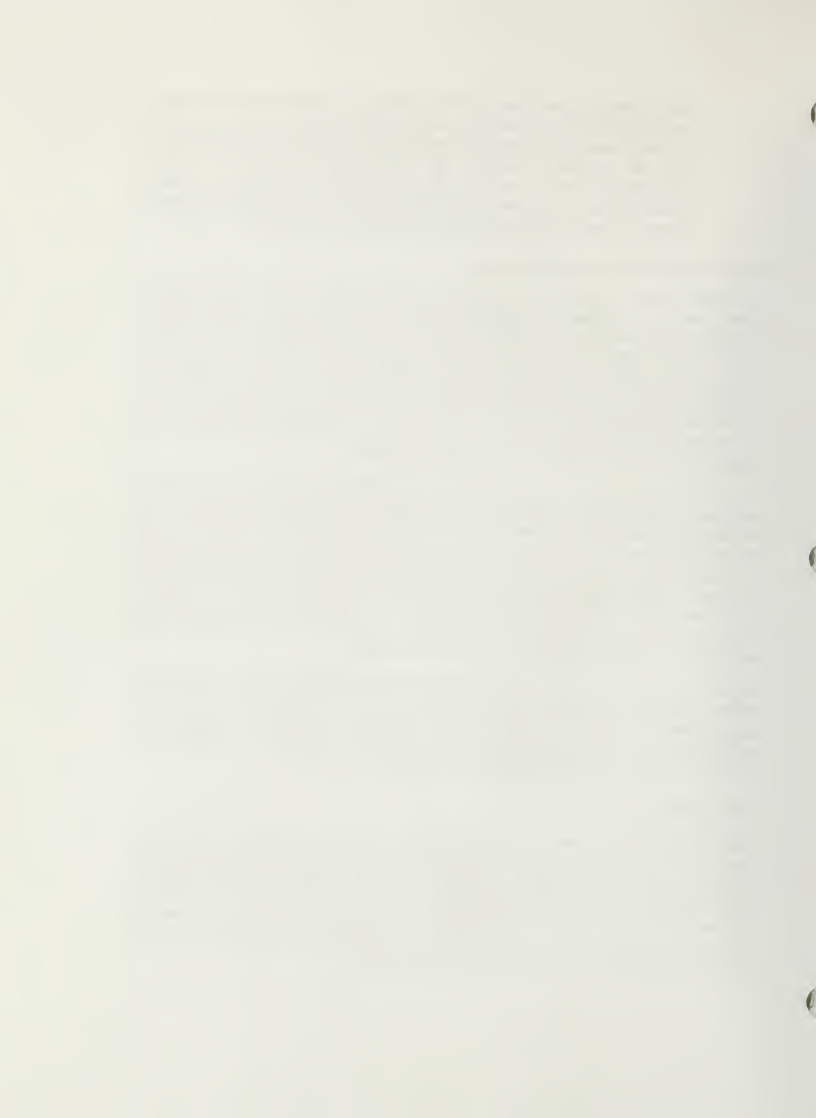
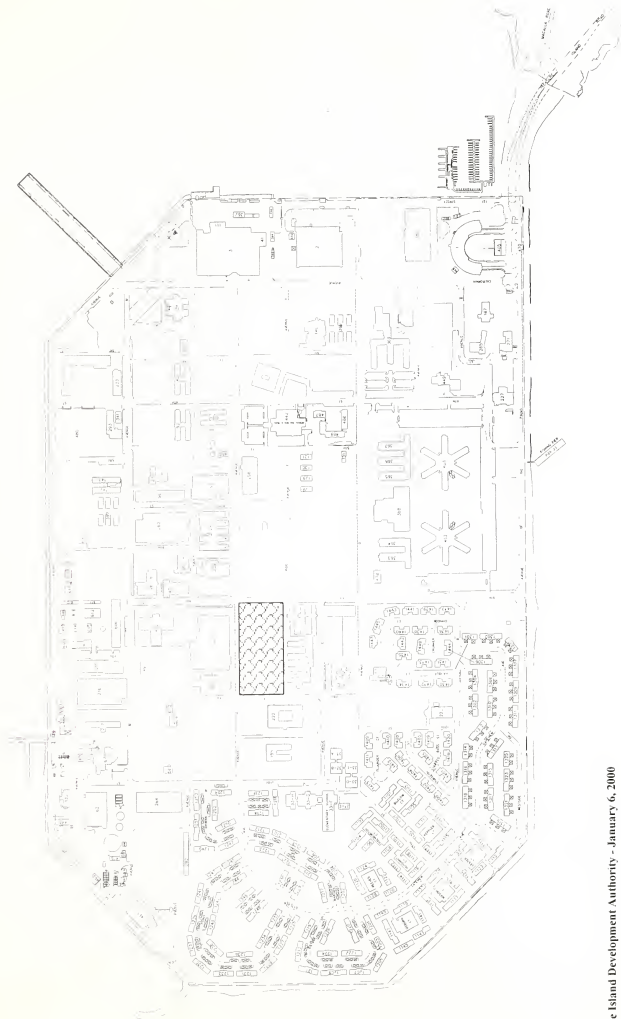


EXHIBIT A - PROPOSED LOCATION OF LAY DOWN SITE

Proposed Lay Down Site



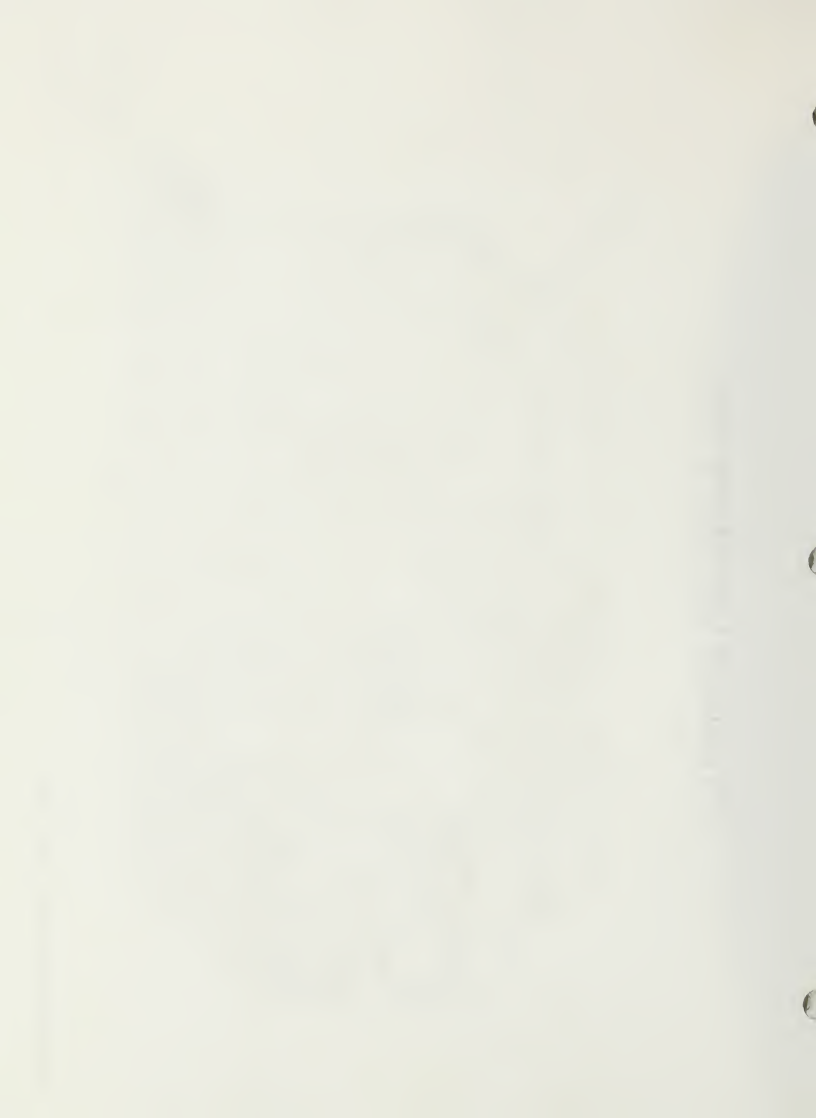
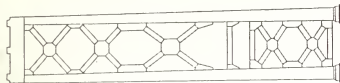
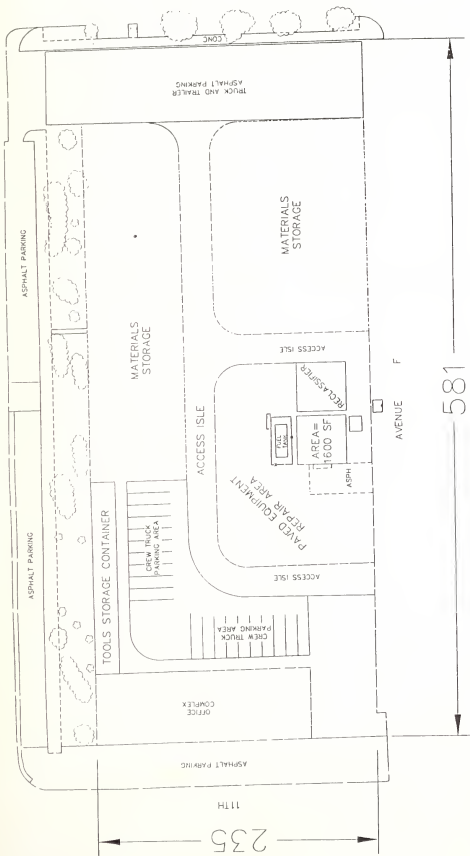


EXHIBIT B - PROPOSED SITE PLAN

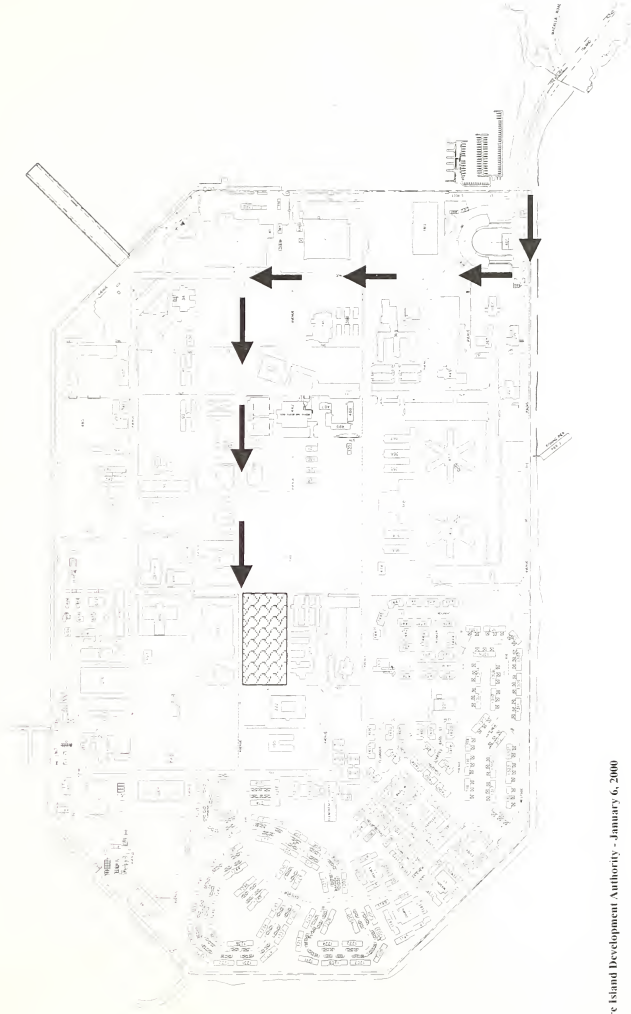




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EXHIBIT C - REQUIRED PATH OF TRAVEL TO SITE

Required Path of Travel to Site



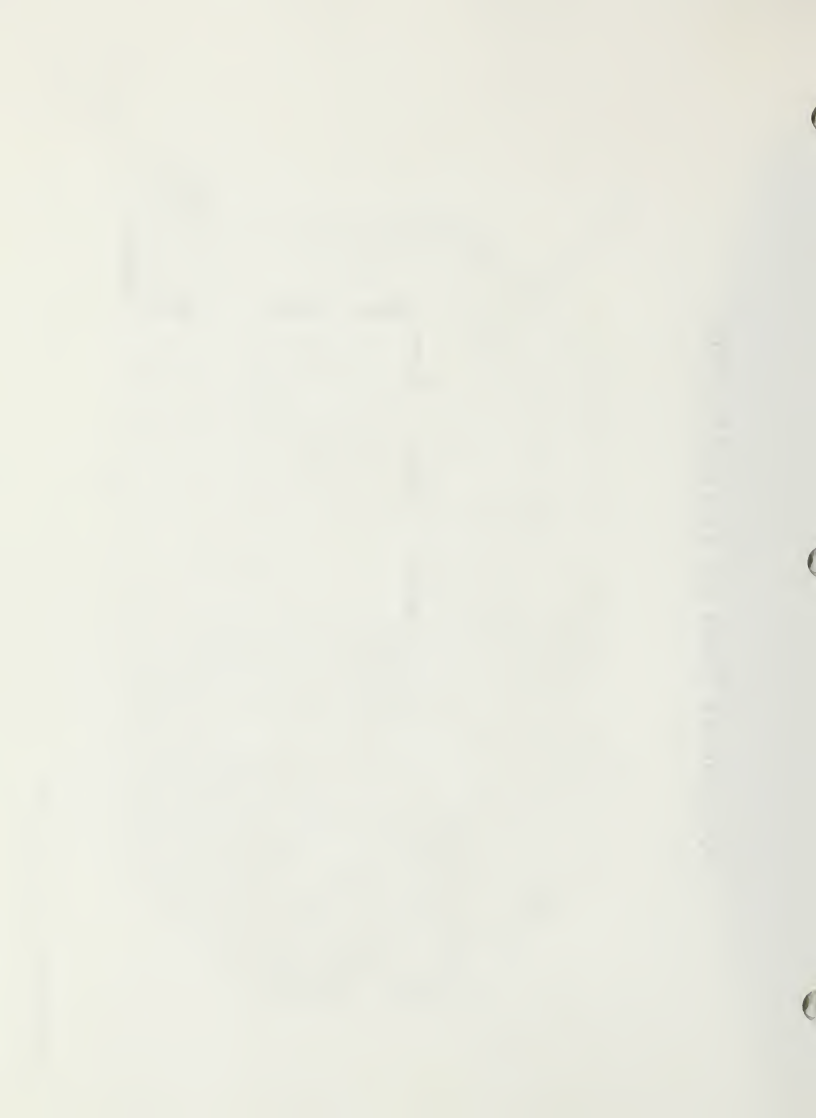
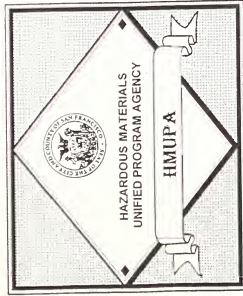


EXHIBIT D - OVERVIEW OF HAZARDOUS MATERIAL PROGRAM

CITY AND COUNTY OF SAN FRANCISCO

DEPARTMENT OF PUBLIC HEALTH
Bureau of Environmental Health Management
1390 Market St. Ste. 210
San Francisco CA 94102
(415)252-3900



REGULATORY REQUIREMENTS FOR HAZARDOUS MATERIALS AND HAZARDOUS WASTES A GUIDE FOR BUSINESSES IN SAN FRANCISCO

What is a hazardous material?

The definition of "hazardous material" is very broad. A hazardous material is any material that poses a present or potential hazard to human health or the environment. It includes common items like latex paint and motor oil. Hazardous materials can also be identified on the label by words like caution, danger, toxic, irritant, warning, etc. Although the actual hazards associated with different chemical materials can differ greatly, they are nonetheless all considered "hazardous".

What are the requirements for businesses storing hazardous materials?

In San Francisco, Businesses that store hazardous materials in quantities greater than 55 gallons for liquids, 500 pounds for solids and 200 cubic feet for compressed gases are required to obtain a Certificate of Registration (COR). These thresholds are lower for laboratories. Certificates of Registration are currently valid for a period of two years. Application for a certificate of Registration requires you to complete forms such as chemical inventory, site map, training plan, emergency response plan. Information collected during the process of registration is made available to the Fire Department during fires and other incidents that may involve hazardous materials.

What if my business had a Certificate of Registration, but we have moved since the COR was issued?

CORs are not transferable from one location to another. If your business moves from one location to another, you must obtain a new COR.

What if I am a new business owner?

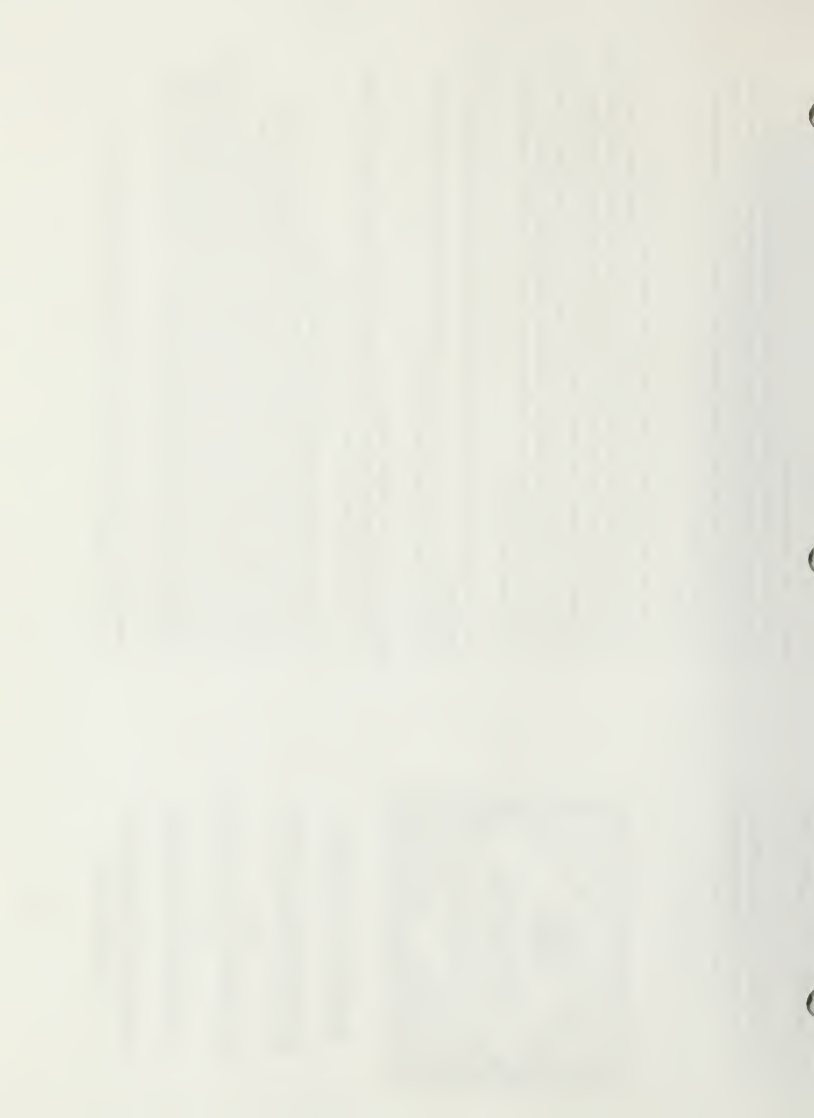
CORs are not transferable from one owner to another. If you recently purchased a business that was previously registered, you must obtain a new COR.

What about materials in underground storage tanks (UST)?

Hazardous materials stored in underground storage tanks must be reported in the COR application chemical inventory. For each UST, the tank operator must obtain a permit to operate. These permits are valid for a period of one year. Like CORs, they are not transferable from one operator to another. Application for a Tanks Operating Permit includes a statement of financial responsibility, in the event of a leak, a description of monitoring methods and other basic information about the tank's construction. If you are a tank operator, please remember the tank upgrade deadline of December 22, 1998. By this date, all single walled tanks must be replaced by double walled tanks or upgraded. If your tank does not meet the 1998 deadline, act now to avoid the last minute rush!

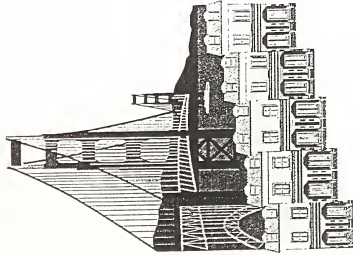
What do I need to do if my business generates or produces hazardous waste?

A hazardous material becomes a hazardous waste when you determine that it



**Remember --
Compliance with
environmental
regulations makes
your City a safer
place to live, work
and play.**

**The environment is
everyone's
responsibility!**



can no longer be used for the purpose for which it was originally intended. For example, an adhesive that has exceeded its shelf life may be a hazardous waste if it can no longer be used as an adhesive. Hazardous wastes are also considered hazardous materials and should be included when determining the total amount of hazardous materials stored at your business. If you generate hazardous waste, but at no time store more hazardous materials than the thresholds that require a COR, you still need to inform the Health Department that you generate hazardous waste.

What if I treat hazardous waste that I produce?

If, at your business, you treat any hazardous waste that you generate, you must notify the State Department of Toxic Substances Control (DTSC). Common examples of hazardous waste treatment include silver recovery units in photographic facilities and neutralization of some acids by addition of a base. If any such activities are performed at your business, you should call DTSC in Sacramento at (916)323-5871.

What are the penalties for non-compliance?

Penalties for non compliance can be substantial. Administrative civil penalties of up to \$2000 per day per violation may be levied for non-compliance. Non-payment of fees will result in a property lien being recorded against the property upon which the business is located.

Any other requirements?

The regulations associated with each of the above environmental programs are very complex - much too complex to describe in this pamphlet. The State requires the Department of Public Health to inspect businesses that are regulated under any of these programs at least once every three years. Businesses are required to pay program fees, and correct all violations that are identified during on-site inspections.

How do I begin the compliance process?

If you think your business may need to comply with any of the requirements described in this pamphlet, you should call the San Francisco Hazardous Materials Unified Program Agency immediately. The phone number is

252-3900

Staff is available to answer you questions and
provide you with any compliance assistance you may need.

Para cumplir con estos requisitos hay asistencia disponible en español.



1 [Authorization for Sole Source Negotiations of an Interim Sublease]

2 AUTHORIZING THE TREASURE ISLAND DEVELOPMENT AUTHORITY TO NEGOTIATE
3 AN INTERIM SUBLEASE WITH CALIFORNIA ENGINEERING ON A SOLE SOURCE BASIS
4 FOR THE USE OF LAY DOWN SPACE ON TREASURE ISLAND RELATED TO THE
5 SEISMIC RETROFIT OF THE WESTERN SPAN OF THE SAN FRANCISCO-OAKLAND BAY
6 BRIDGE.

7 WHEREAS, On May 2, 1997, the Board of Supervisors (the "Board") passed
8 Resolution No. 380-97, authorizing the Mayor's Treasure Island Project Office to establish a
9 nonprofit public benefit corporation known as the Treasure Island Development Authority (the
10 "Authority") to act as a single entity focused on the planning, redevelopment, reconstruction,
11 rehabilitation, reuse and conversion of former Naval Station Treasure Island (the "Base") for
12 the public interest, convenience, welfare and common benefit of the inhabitants of the City
13 and County of San Francisco; and,

14 WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended
15 Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter
16 1333 of the Statutes of 1968 (the "Act"), the California legislature (i) designated the Authority
17 as a redevelopment agency under California redevelopment law with authority over the Base
18 upon approval of the City's Board of Supervisors, and, (ii) with respect to those portions of the
19 Base which are subject to the Tidelands Trust, vested in the Authority the authority to
20 administer the public trust for commerce, navigation and fisheries as to such property; and,

21 WHEREAS, The Tidelands Trust prohibits the sale of trust property into private
22 ownership, generally requires that Tidelands Trust property be accessible to the public and
23 encourages public-oriented uses of trust property that, among other things, attract people to
24 the waterfront, promote public recreation, protect habitat and preserve open space; and,



1 WHEREAS, In order to facilitate productive reuse and job creation on the Base, it may
2 be beneficial for the Authority to lease or license property from the Navy and, in turn, sublease
3 or sublicense such property to third-parties or use such property for municipal purposes; and

4 WHEREAS, Under the Authority's Rules and Procedures for the Transfer of Real
5 Property, adopted by the Authority on March 11, 1998 (the "Transfer Rules"), subject to
6 certain specific exceptions, the Authority may not transfer real property on the Base on sole-
7 source basis absent specific authorization by the Authority's Board of directors to the contrary
8 by a 4/5 vote; and,

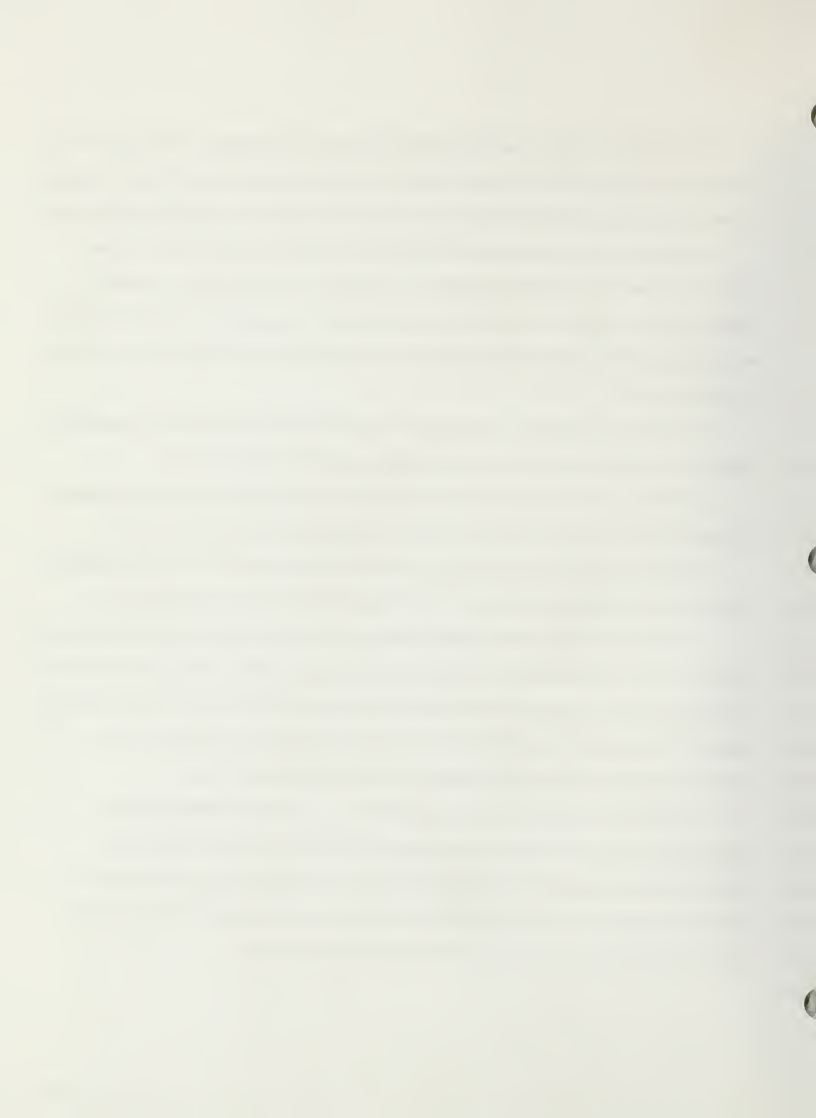
9 WHEREAS, In connection with its plans to retrofit the Western Span of the Bay Bridge,
10 Caltrans competitively solicited bids for contractors to perform that work; and,

11 WHEREAS, Authority staff provided information about possible leasing opportunities for
12 lay down space on the Base to all such bidders who requested the information; and,

13 WHEREAS, California Engineering Contractors ("Subtenant") was the firm selected by
14 Caltrans to do the seismic retrofit work on the Western Span of the Bay Bridge; and,

15 WHEREAS, California Engineering has requested the use of approximately three acres
16 of vacant land on Treasure Island as temporary construction offices and lay down space for
17 the retrofit project for a period of approximately three years at a rental rate of approximately
18 Twenty Two Thousand Dollars (\$22,000) per month, subject to the general terms and
19 conditions described on Exhibit A attached hereto (the "Term Sheet"); and,

20 WHEREAS, As required by the Transfer Rules, the Authority hereby finds that
21 negotiating a sole-source sublease with California Engineering is likely to achieve the
22 identifiable public benefit of increasing public safety on the Bay Bridge, and that a public,
23 competitive solicitation is impractical because California Engineering is the sole company
24 selected by Caltrans to do such retrofit work; Now, therefore, be it



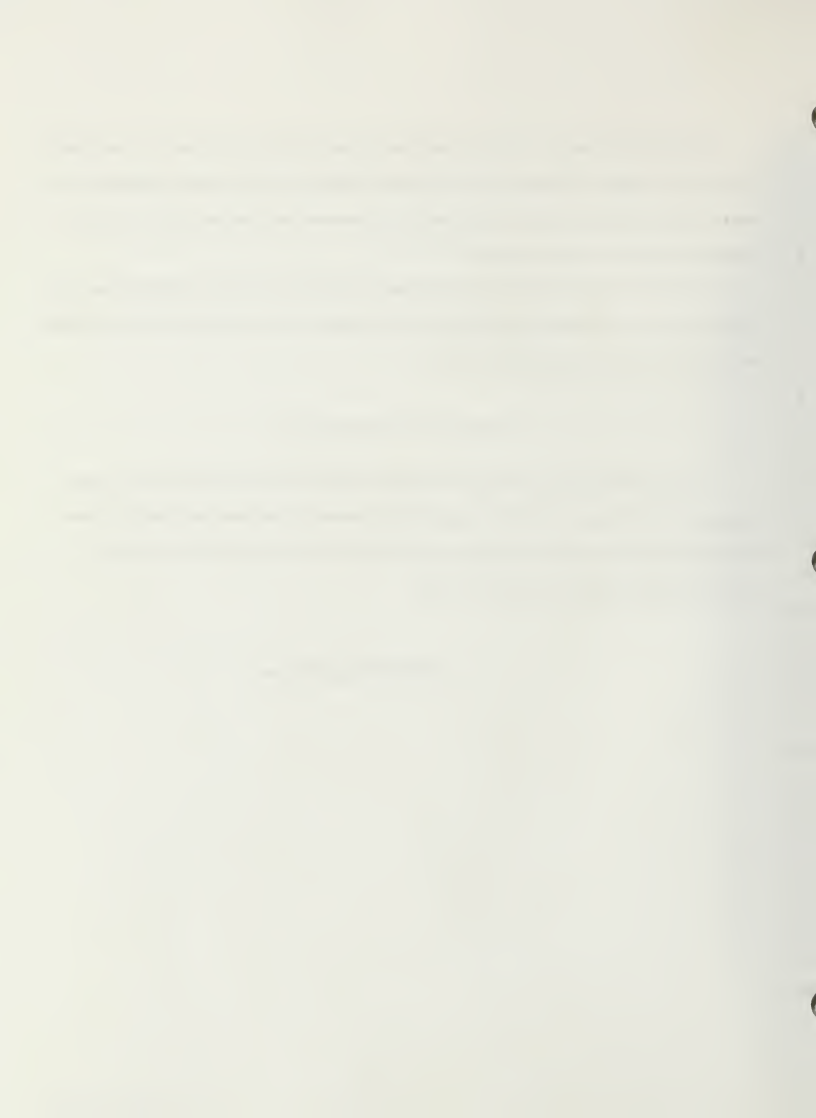


EXHIBIT A

TERM SHEET

Exhibit A - Proposed Terms for California Engineering Contractors

The following outlines the basic terms for a proposed sublease for lay down space on Treasure Island.

Subtenant: The tenant for the facility is California Engineering Contractors (CEC).

Premises: The Authority is considering the lease of not less than three acres and no more than five acres of land for lay down space. The Authority does not currently have control of any suitably sized sites. Thus, in order to execute a sub lease with CEC awarded the contract, the Authority would need to lease a site from the Navy and then sublease it to CEC. The proposed site is one square block area bounded by Avenue F to the West, Avenue H to the East, 11th Street to the North, and 9th Street to the South.

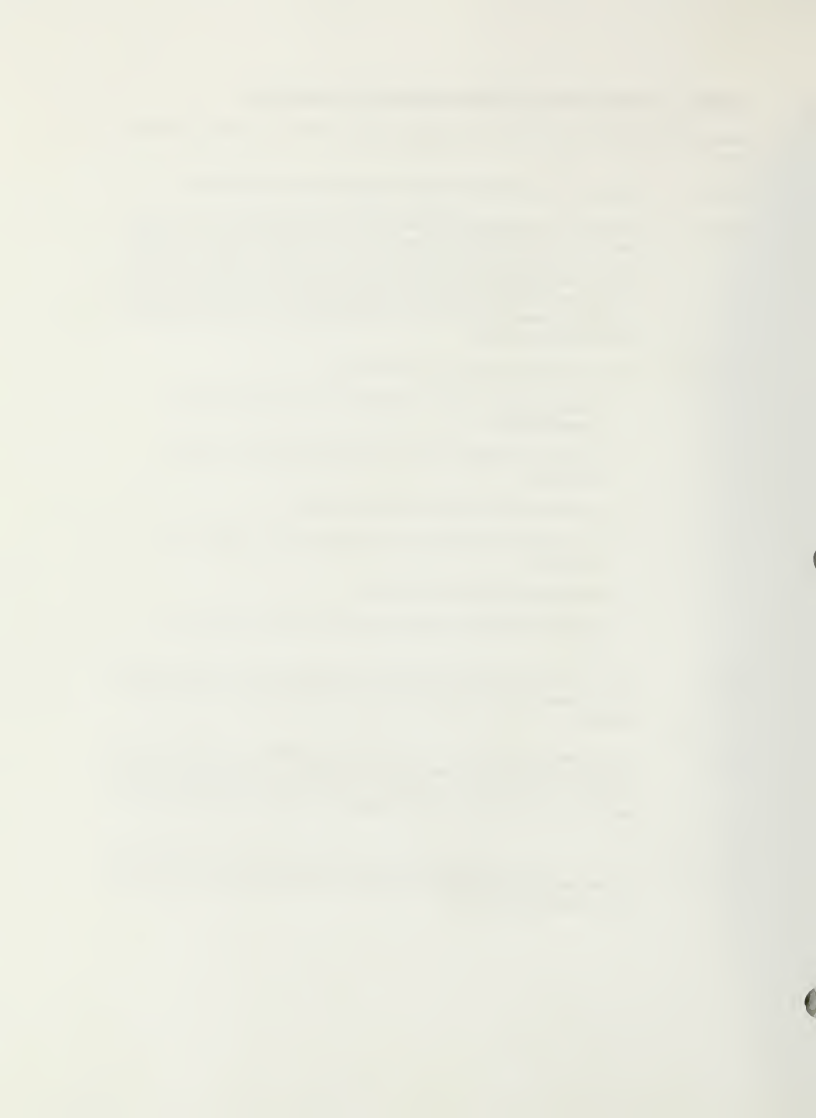
Permitted Use: CEC is proposing the following uses for the site:

- ♦ Temporary office complex comprised of several modular trailers coupled together;
- ♦ Delivery and storage location for fabricated steel used to retrofit the Bridge;
- ♦ Assembly site for workers on the retrofit project;
- ♦ Light vehicle maintenance for project support vehicles and equipment;
- ♦ Refueling of equipment and vehicles;
- ♦ Storage of equipment, such as Cranes, Boom Trucks, Forklifts, etc; and

Term: Term of three years with the Authority retaining the right to terminate the lease with six months notice, if the site is needed to further long term redevelopment of the Island.

Rent: The proposed rent for the site would be \$.15 per square foot or approximately \$25,000 per month. The annual rent to the Authority would be approximately \$300,000. CEC would be responsible for all utility costs, landscaping costs, security costs, and Common Area Maintenance (CAM) charges levied by the Navy.

Improvements: The cost for all improvements to the site, including costs associated with meeting Department of Building Inspection standards and bringing utilities to the site will be the responsibility of CEC.





Notes

AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Subject: Resolution Authorizing the Executive
Director to Enter Into a Sublease with
California Engineering Contractors

Agenda Item No. 8
Meeting of January 12, 2000

Contact/Phone: Annemarie Conroy, Executive Director
Stephen Proud, Director of Development
274-0660

SUMMARY OF PROPOSED ACTION:

This action provides authorization for the Executive Director to enter into a sublease with the California Engineering Contractors to lease space on Treasure Island for lay down space to support the seismic retrofit of the Western Span of the Bay Bridge.

BACKGROUND

In July of 1999, the Treasure Island Development Authority (TIDA) was contacted by several firms bidding on a contract with Caltrans for the seismic retrofit of the western span of the Bay Bridge as to the availability of lay down space on Treasure Island. In response to those inquiries Authority staff issued a letter outlining the general terms under which the Authority would consider leasing lay down space on Treasure Island. Caltrans awarded the retrofit contract to California Engineering Contractors (CEC) and CEC subsequently contacted the Authority and submitted a proposal for the lease of lay down space.

Due the timing associated with project and the anticipation of Authorization for sole source negotiations with CEC, staff has negotiated a draft sublease with the CEC, which is attached to the resolution as Exhibit A. In general, the sublease provides CEC with a 3 1/2 acre site for lay down space in the middle of Treasure Island. The site will be used for a modular office complex to support the retrofit project, the delivery and storage of materials, a site for work crew assembly, equipment and vehicle storage, and on-site refueling of equipment and vehicles.

The following outlines the other general provisions of the sublease:

- ✓ The term is for three years, however at the end of the second year the Authority can terminate the sublease with 6 months (180 days) notice to CEC.
- ✓ Monthly rent for the property is \$0.15 per square foot or approximately \$22,000 per month. The rent does not include the costs of utilities or the provision of utilities to the site, nor the Common Area Maintenance (CAM) charge levied by the Navy, both of which must be paid by CEC. In addition, CEC is responsible for all costs associated with the property, including but not limited to site improvement costs (including a security fence and paving),

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taxes, insurance, and property maintenance costs including landscaping of parking areas.

- ✓ A security deposit of \$50,000 is required for the property.
- ✓ The subtenant will use best faith efforts to include TIHDI program participants as part of its workforce.
- ✓ CEC is required to adhere to strict requirements regarding the frequency and path of travel for traffic associated with use of the site; the requirements of the City's Noise Control Ordinance; and the requirements of the City's Hazardous Materials Management Program.
- ✓ CEC is required to return the site to the Authority in the condition in which it was received, including removing any paving, fencing or other improvements made to the site.

RECOMMENDATION

Staff is recommending that the Authority authorize the Executive Director to enter into a sublease with CEC.



[Authorizing and Approving a Sublease with California Engineering]

AUTHORIZING AND APPROVING A SUBLEASE BETWEEN THE TREASURE ISLAND DEVELOPMENT AUTHORITY AND CALIFORNIA ENGINEERING FOR THE USE OF LAY DOWN AND CONSTRUCTION OFFICE SPACE ON TREASURE ISLAND RELATED TO THE SEISMIC RETROFIT OF THE WESTERN SPAN OF THE SAN FRANCISCO-OAKLAND BAY BRIDGE.

WHEREAS, On May 2, 1997, the Board of Supervisors (the "Board") passed Resolution No. 380-97, authorizing the Mayor's Treasure Island Project Office to establish a nonprofit public benefit corporation known as the Treasure Island Development Authority (the "Authority") to act as a single entity focused on the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of former Naval Station Treasure Island (the "Base") for the public interest, convenience, welfare and common benefit of the inhabitants of the City and County of San Francisco; and,

WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter 1333 of the Statutes of 1968 (the "Act"), the California legislature (i) designated the Authority as a redevelopment agency under California redevelopment law with authority over the Base upon approval of the City's Board of Supervisors, and, (ii) with respect to those portions of the Base which are subject to the Tidelands Trust, vested in the Authority the authority to administer the public trust for commerce, navigation and fisheries as to such property; and,

WHEREAS, The Tidelands Trust prohibits the sale of trust property into private ownership, generally requires that Tidelands Trust property be accessible to the public and encourages public-oriented uses of trust property that, among other things, attract people to the waterfront, promote public recreation, protect habitat and preserve open space; and,



1 WHEREAS, In order to facilitate productive reuse and job creation on the Base, it may
2 be beneficial for the Authority to lease or license property from the Navy and, in turn, sublease
3 or sublicense such property to third-parties or use such property for municipal purposes; and

4 WHEREAS, California Engineering Contractors ("Subtenant") was the firm selected by
5 Caltrans to do the seismic retrofit work on the Western Span of the Bay Bridge; and,

6 WHEREAS, California Engineering has requested the use of approximately three acres
7 of vacant land on Treasure Island as temporary construction offices and lay down space for
8 the retrofit project pursuant to the terms and conditions of a sublease substantially in the form
9 of the sublease attached hereto as Exhibit A (the "Sublease"); and,

10 WHEREAS, The term of the Sublease is for three years, provided however that at any
11 time after the second year of the sublease, the Authority may terminate the Sublease upon
12 180 days prior written notice to Subtenant; and,

13 WHEREAS, Under the Sublease subtenant shall pay the Authority rent in the amount
14 of Twenty Two Thousand Dollars (\$22,000) per month, and,

15 WHEREAS, Under the Sublease Subtenant may use the leased premises for
16 temporary office space; delivery and storage of fabricated steel; assembly of Subtenant's
17 employees; light vehicle and equipment maintenance; refueling of equipment and vehicles;
18 and equipment storage, including storage of equipment by Subtenant's subcontractor,
19 Robison-Prezioso, Inc. ("RPI"), subject to, among other things, (i) restrictions regarding the
20 frequency and path of travel of truck traffic, (ii) the requirements of the City's Noise Control
21 ordinance, (iii) the terms of a Management Plan attached to the Sublease as an exhibit
22 addressing specific hours of operation, and (iv) the express jurisdiction of the City's Health
23 Department regarding the approval of a hazardous materials management plan, as more
24 specifically set forth in the Sublease; Now, therefore, be it

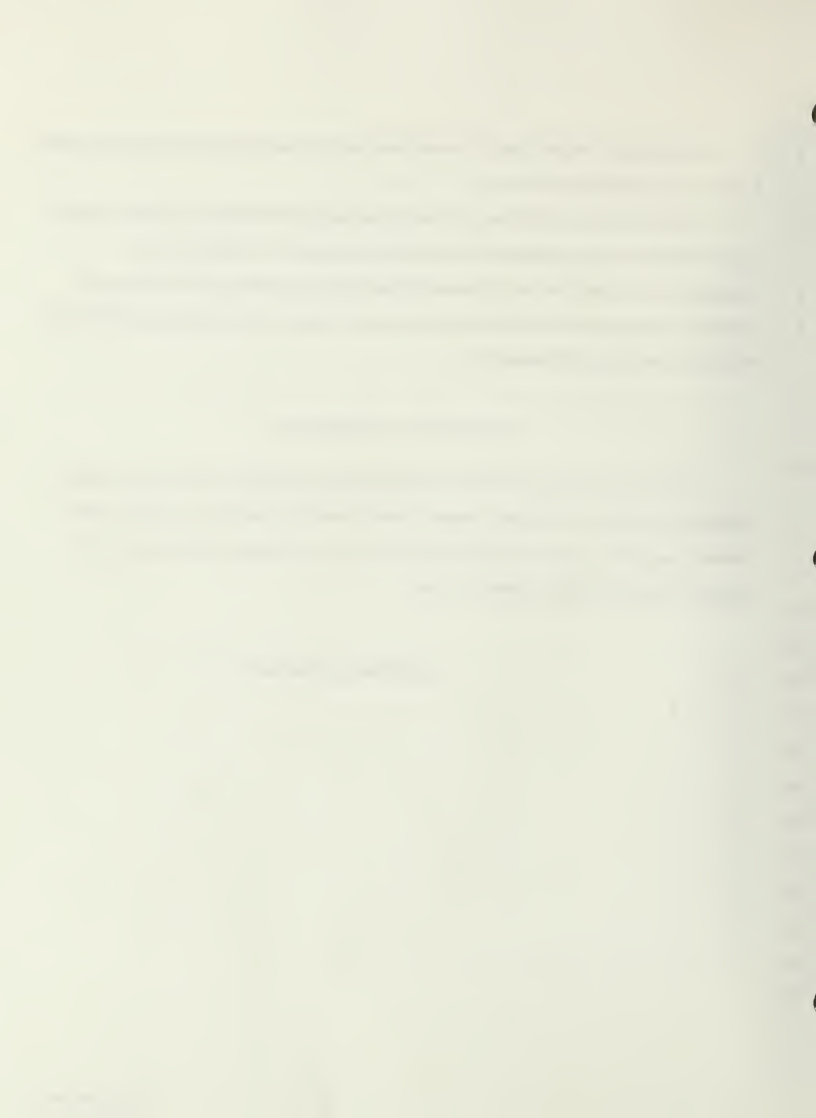
2. The second part outlines the various methods and tools used to collect and analyze data. It mentions the use of surveys, interviews, and focus groups to gather information from stakeholders. Additionally, it discusses the application of statistical software to process and interpret the collected data.

3. The third part describes the results of the data analysis. It highlights the key findings and trends observed, such as the increasing demand for certain services and the declining interest in others. These findings are presented in a clear and concise manner, supported by relevant charts and graphs.

4. The fourth part provides a detailed analysis of the factors influencing the observed trends. It explores the role of external market conditions, internal organizational capabilities, and the preferences of different customer segments. This analysis helps to identify the underlying causes of the trends and provides insights into potential future developments.

5. The fifth part discusses the implications of the findings for the organization's strategy and operations. It suggests ways in which the organization can leverage its strengths and address its weaknesses based on the insights gained from the data analysis. This includes recommendations for improving service quality, enhancing marketing efforts, and optimizing resource allocation.

6. The sixth part concludes the document by summarizing the key points and reiterating the importance of ongoing data collection and analysis. It emphasizes that the organization should continue to monitor its performance and adapt its strategies to changing market conditions to ensure long-term success.



1 EXHIBIT A

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3 SUBLEASE
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SUBLEASE

between

THE TREASURE ISLAND DEVELOPMENT AUTHORITY

as Sublandlord

and

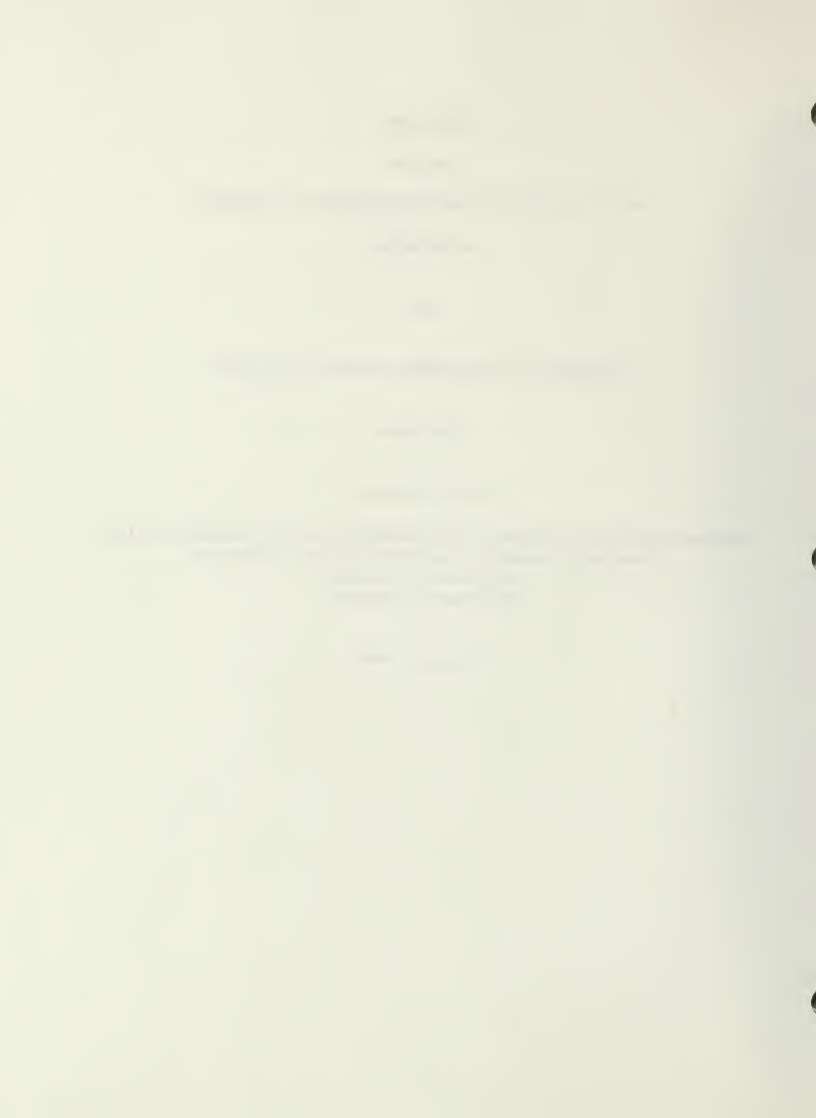
CALIFORNIA ENGINEERING CONTRACTORS, INC.

as Subtenant

For the Sublease of

**One Square Block Area Consisting of Approximately Three Acres of Unimproved Land
Bounded by Avenue F, Avenue H, 11th Street and 9th Street on
Naval Station Treasure Island
San Francisco, California**

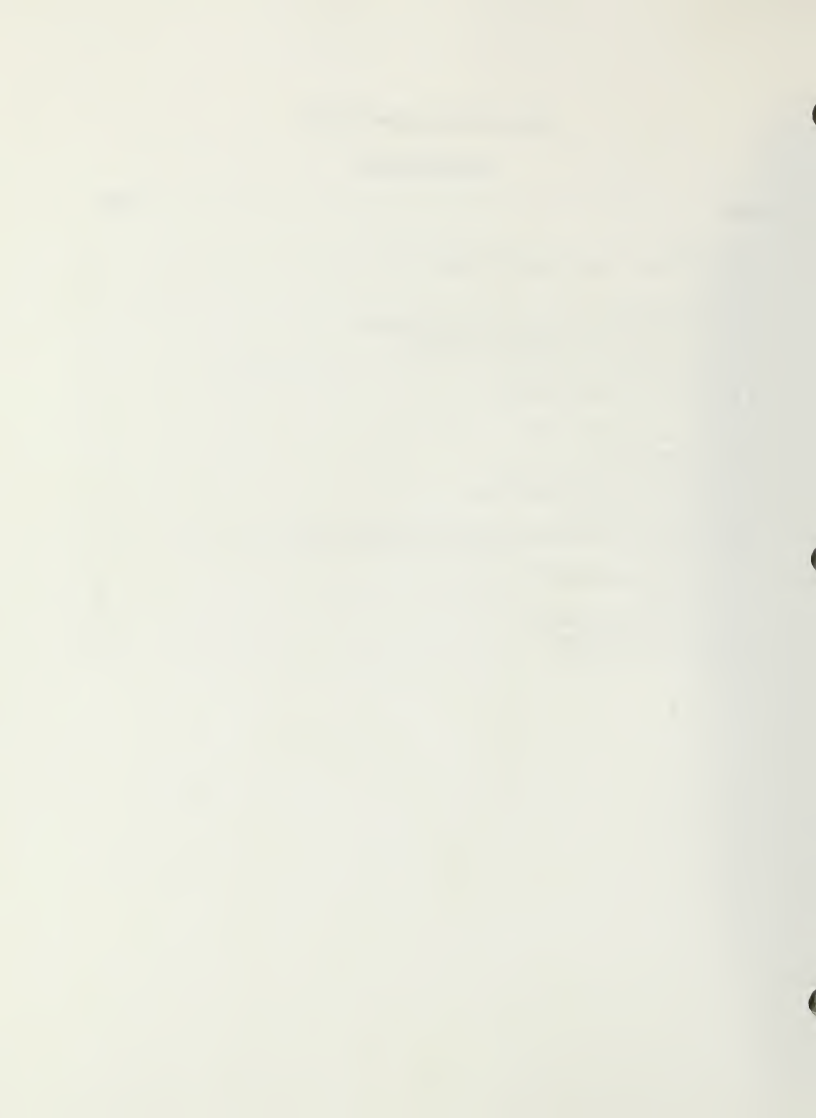
January __, 2000



TREASURE ISLAND SUBLEASE

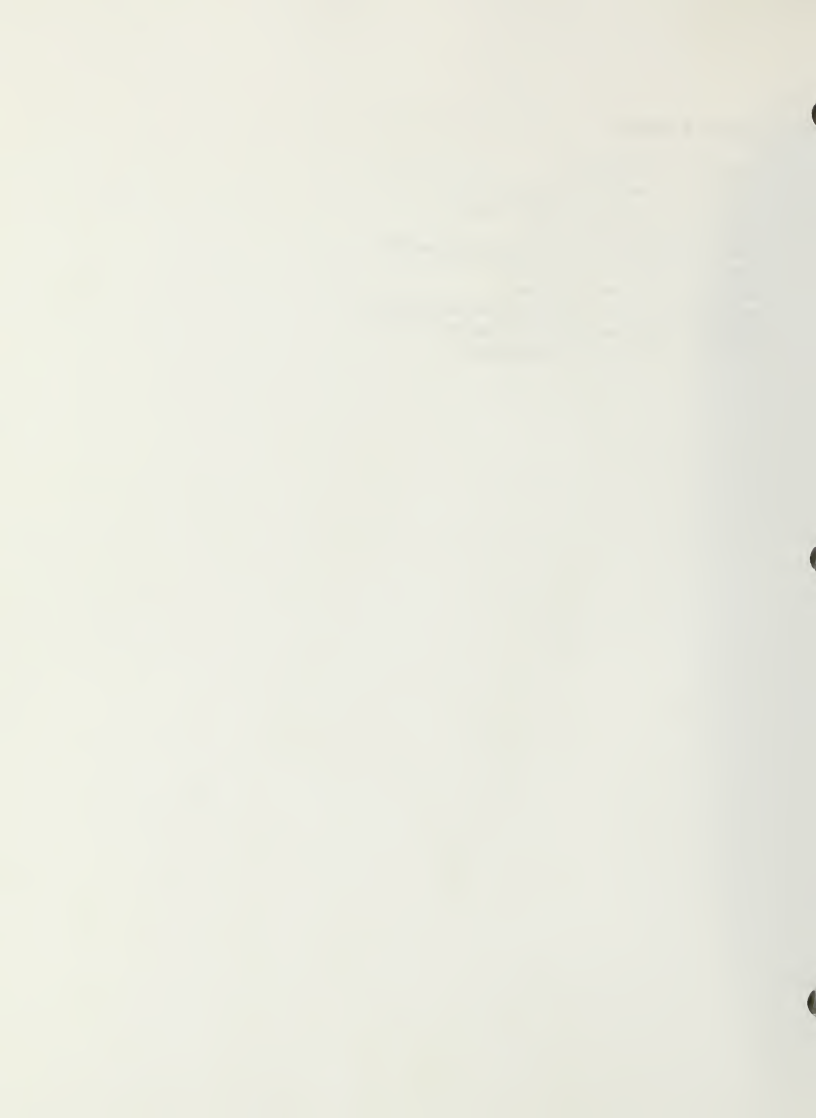
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- EXHIBIT A – Master Lease
- EXHIBIT B – Diagram of Premises
- EXHIBIT C – Cover Page of Seismic Report
- EXHIBIT D – Management Plan
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- EXHIBIT F – Rules and Regulations
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- EXHIBIT H – Standard Utilities and Services and Rates
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- EXHIBIT J – Workforce Hiring Agreement



TREASURE ISLAND SUBLEASE

THIS SUBLEASE (the "Sublease"), dated as of this ____ of January, 2000, is by and between the Treasure Island Development Authority ("Sublandlord") and California Engineering Contractors, Inc., a _____ corporation ("Subtenant"). From time to time, Sublandlord and Subtenant together shall be referred to herein as the "Parties".

This Sublease is made with reference to the following facts and circumstances:

A. The United States of America, acting by and through the Department of Navy ("Master Landlord") and Sublandlord entered into a lease dated September 4, 1998, as amended by that certain Amendment to Lease dated January 14, 1999, and that certain Amendment to Leased Dated _____, 2000, (the "Master Lease"), a copy of which is attached hereto as Exhibit A. Under the Master Lease, the Master Landlord leased to Sublandlord on Naval Station Treasure Island (the "Property"), among other things, one square block area consisting of approximately three (3) acres of unimproved land bounded by Avenue F, Avenue H, 11th Street and 9th Street, all as more particularly shown on the map attached hereto as Exhibit B (the "Premises").

B. The California Department of Transportation has awarded a contract to a joint venture consisting of Subtenant and Modern Continental for the seismic retrofit of the western span of the Bay Bridge ("Project").

C. Subtenant desires to sublet the Premises from Sublandlord and Sublandlord is willing to sublet the Premises to Subtenant on the terms and conditions contained in this Sublease.

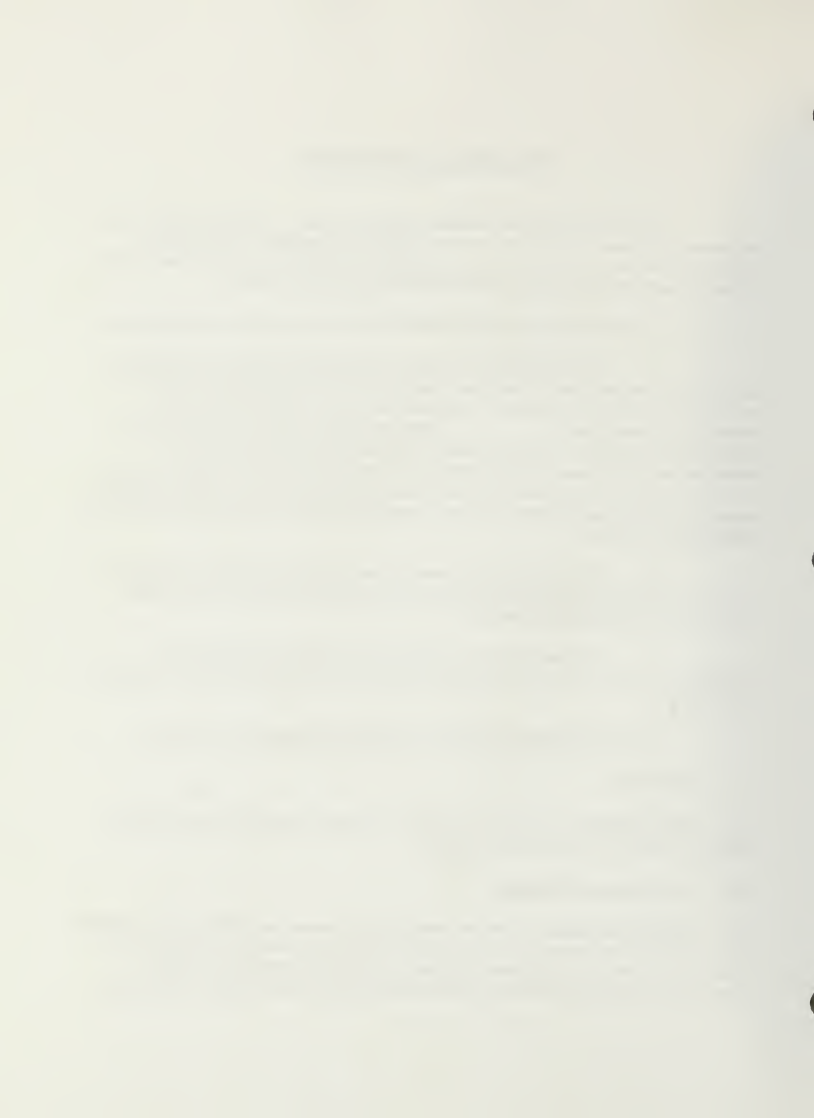
NOW THEREFORE, Sublandlord and Subtenant hereby agree as follows:

1. PREMISES

1.1. Subleased Premises. Subject to the terms, covenants and conditions of this Sublease, Sublandlord subleases to Subtenant the Premises.

1.2. As Is Condition of Premises.

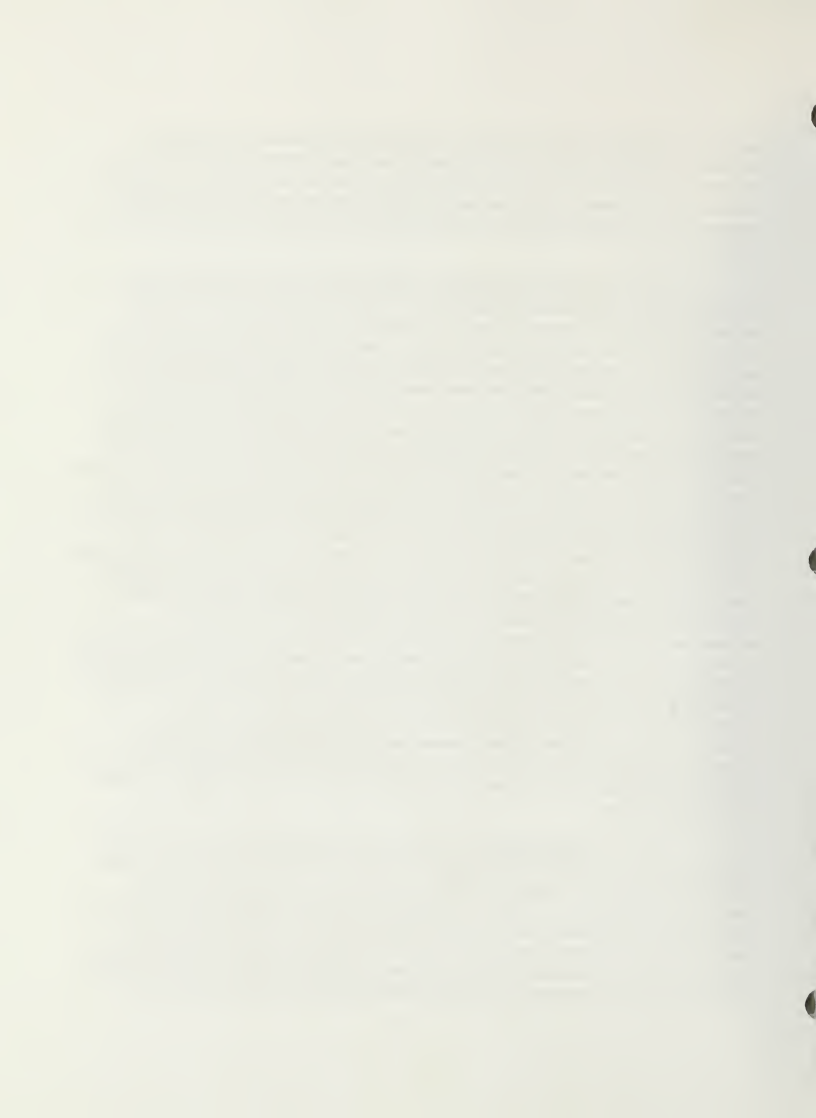
(a) **Inspection of Premises.** Subtenant represents and warrants that Subtenant has conducted a thorough and diligent inspection and investigation, either independently or through its officers, directors, employees, agents, affiliates, subsidiaries, licensees and contractors, and their respective heirs, legal representatives, successors and assigns, and each of them, ("Subtenant's



Agents”) of the Premises and the suitability of the Premises for Subtenant’s intended use. Subtenant is fully aware of the needs of its operations and has determined, based solely on its own investigation, that the Premises are suitable for its operations and intended uses. As part of its inspection of the Premises, Subtenant acknowledges its receipt and review of the Seismic Report referenced in Section 1.2(c) below and the Joint Inspection Report referenced in Section 6 of the Master Lease.

(b) As Is; Disclaimer of Representations. Subtenant acknowledges and agrees that the Premises are being subleased and accepted in their "AS IS, WITH ALL FAULTS" condition, without representation or warranty of any kind, and subject to all applicable laws, statutes, ordinances, resolutions, regulations, proclamations, orders or decrees of any municipal, county, state or federal government or other governmental or regulatory authority with jurisdiction over the Premises, or any portion thereof, whether currently in effect or adopted in the future and whether or not in the contemplation of the Parties, including without limitation the orders and citations of any regulatory authority with jurisdiction over life and safety issues concerning the Premises governing the use, occupancy, management, operation and possession of the Premises (“Laws”). Without limiting the foregoing, this Sublease is made subject to any and all covenants, conditions, restrictions, easements and other title matters affecting the Premises, or any portion thereof, whether or not of record. Subtenant acknowledges and agrees that neither Sublandlord, the City and County of San Francisco (“City”), nor any of their respective officers, directors, employees, agents, affiliates, subsidiaries, licensees or contractors, or their respective heirs, legal representatives, successors and assigns (“Sublandlord’s Agents”) have made, and Sublandlord hereby disclaims, any representations or warranties, express or implied, concerning (i) title or survey matters affecting the Premises, (ii) the physical, geological, seismological or environmental condition of the Premises, including, without limitation, the matters described in the Seismic Report (as defined below) (iii) the quality, nature or adequacy of any utilities serving the Premises, (iv) the feasibility, cost or legality of constructing any Alterations on the Premises if required for Subtenant’s use and permitted under this Sublease, (v) the safety of the Premises, whether for the use of Subtenant or any other person, including Subtenant’s Agents or Subtenant’s clients, customers, vendors, invitees, guests, members, licensees, assignees or Subtenants (“Subtenant’s Invitees”), or (vi) any other matter whatsoever relating to the Premises or their use, including, without limitation, any implied warranties of merchantability or fitness for a particular purpose.

(c) Seismic Report. Without limiting Section 1.2(b) above, Subtenant expressly acknowledges for itself and Subtenant’s Agents that it received and read that certain report dated August 1995, entitled “*Treasure Island Reuse Plan: Physical Characteristics, Building and Infrastructure Conditions,*” prepared for the Office of Military Base Conversion, Department of City Planning, and the Redevelopment Agency of the City and County of San Francisco, (the “Seismic Report”), a copy of the cover page of which is attached hereto as Exhibit C. Subtenant has had an adequate opportunity to review the Seismic Report with expert consultants of its own choosing. The Seismic Report, among other matters, describes the



conditions of the soils of the Property and points out that in the area of the Property where the Premises are located, an earthquake of magnitude 7 or greater is likely to cause the ground under and around the Premises to spread laterally to a distance of ten (10) or more feet and/or result in other risks. In that event, there is a significant risk that any structures or improvements located on or about the Premises, may fail structurally and collapse.

2. COMPLIANCE WITH MASTER LEASE

2.1. Incorporation by Reference. All of the terms and conditions of the Master Lease are hereby incorporated by reference into this Sublease as if fully set forth herein.

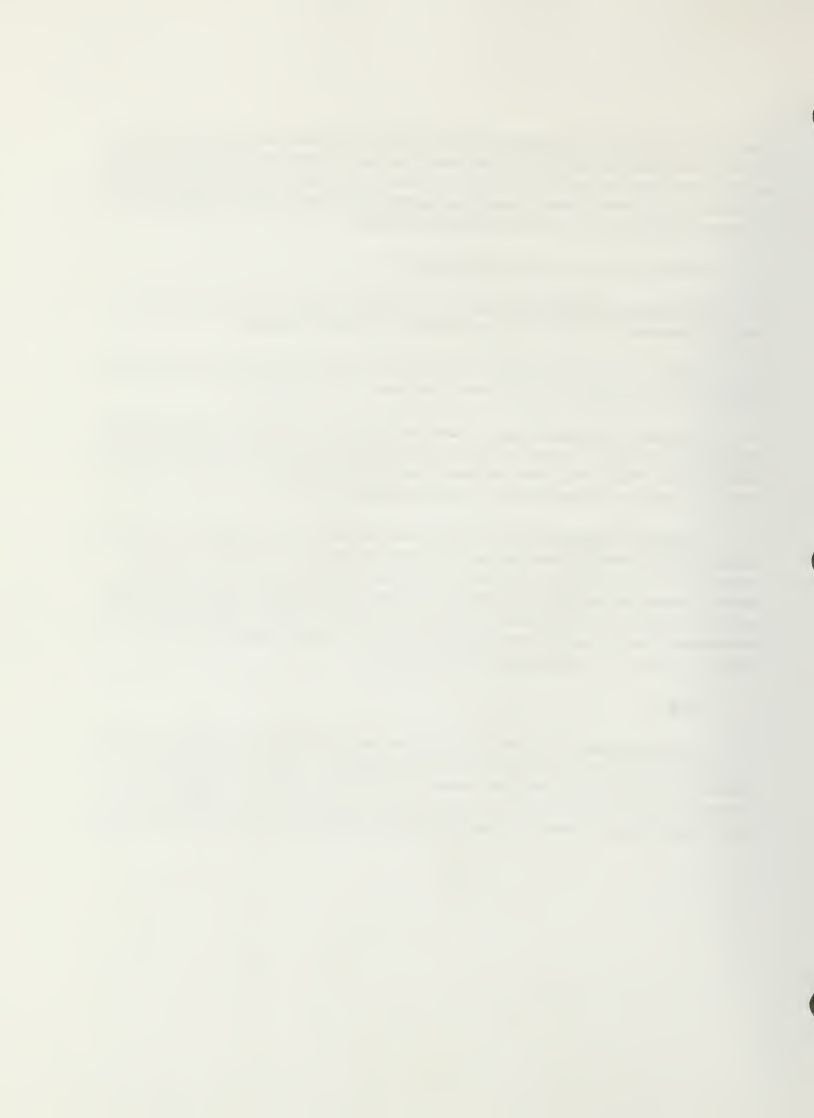
2.2. Conflict. If any of the provisions of this Sublease conflict with any portion of the Master Lease as incorporated herein, then the terms of the Master Lease shall govern.

2.3. Compliance with Master Lease. Subtenant shall not do or permit to be done anything which would constitute a violation or a breach of any of the terms, conditions or provisions of the Master Lease or which would cause the Master Lease to be terminated or forfeited by virtue of any rights of termination reserved by or vested in the Master Landlord.

2.4. Automatic Termination. If the Master Lease terminates for any reason whatsoever, this Sublease shall automatically terminate and the Parties shall thereafter be relieved from all liabilities and obligations under this Sublease, except for liabilities and obligations which expressly survive termination of this Sublease. Subtenant acknowledges and agrees that it has reviewed the Master Lease, is aware of the circumstances upon which the Master Lease may be terminated and hereby assumes all risks associated with the automatic termination of this Sublease because of the termination of the Master Lease.

3. TERM

3.1. Term of Sublease. The term of this Sublease (the "Term") shall commence on January __, 2000 (the "Commencement Date") and expire on January __, 2003, (the "Expiration Date", provided however that at any time after January __, 2002, the Authority may terminate this Sublease prior to the Expiration Date, for any reason and without liability for such termination, by providing Subtenant at least One Hundred And Eighty (180) days prior written notice thereof.



4. RENT

4.1. **Base Rent.** Throughout the Term, beginning on the Commencement Date, Subtenant shall pay to Sublandlord Base Rent in the amount of Twenty-Two Thousand Dollars (\$22,000.00) per month (the "Base Rent"). Base Rent shall be paid to the Sublandlord without prior demand and without any deduction, setoff, or counterclaim whatsoever. Base Rent shall be payable on or before the first day of each month, in advance, at the Notice Address of Sublandlord provided in Section 20.1 hereof or such other place as Sublandlord may designate in writing. If the Commencement Date occurs on a date other than the first day of a calendar month, or the Sublease terminates on a day other than the last day of a calendar month, then the monthly payment of Base Rent for such fractional month shall prorated based on a thirty (30) day month.

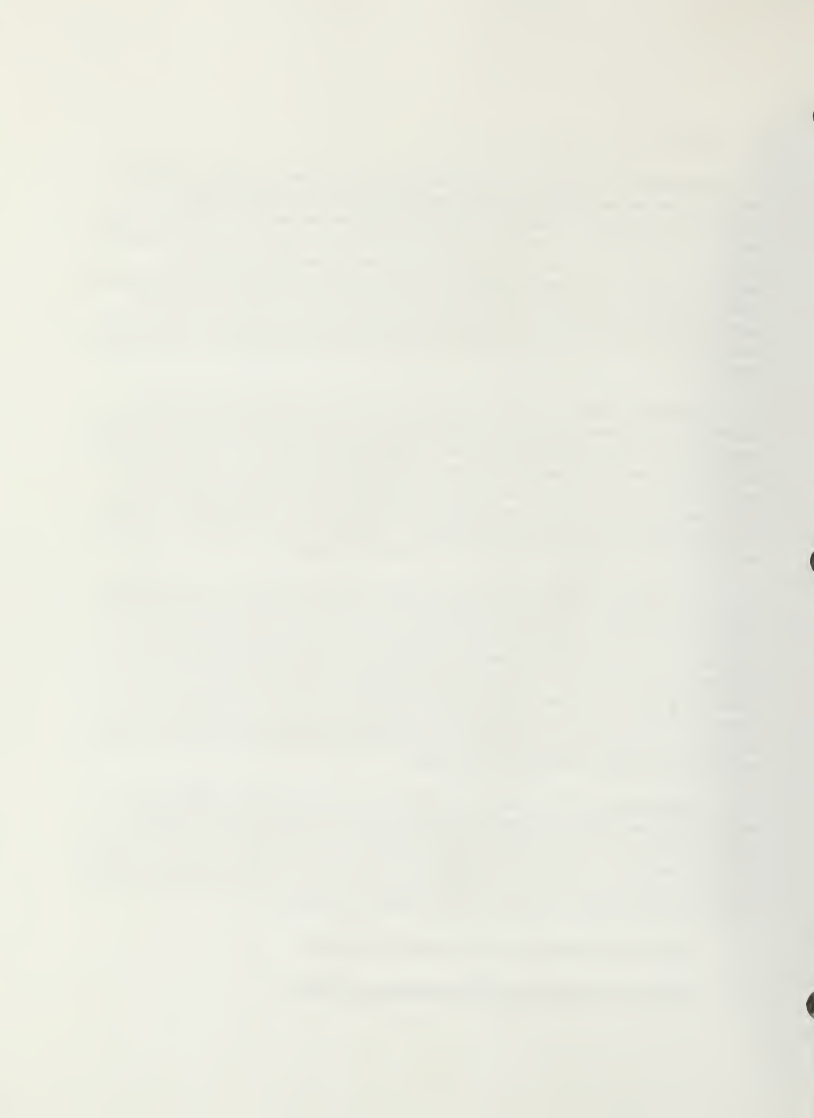
4.2. **Additional Charges.** In addition to Base Rent, Subtenant shall pay any and all real property taxes, possessory interest taxes and other costs, impositions and expenses related to the Premises as provided in Section 5 hereof, plus all other charges related to the Premises otherwise payable by Subtenant to Sublandlord hereunder, including, without limitation, all late charges and default interest attributable to late payments and/or defaults of Subtenant hereunder, all utility charges, and the common area maintenance charge (the "Navy CAM Charge") levied by the Master Landlord on the Premises (together, the "Additional Charges"). Together, Base Rent and Additional Charges shall hereinafter be referred to as the "Rent".

4.3. **Late Charge.** If Subtenant fails to pay any Rent within ten (10) days after the date the same is due and payable, such unpaid amount will be subject to a late payment charge equal to six percent (6%) of the unpaid amount in each instance. The late payment charge has been agreed upon by Sublandlord and Subtenant, after negotiation, as a reasonable estimate of the additional administrative costs and detriment that Sublandlord will incur as a result of any such failure by Subtenant, the actual costs thereof being extremely difficult if not impossible to determine. The late payment charge constitutes liquidated damages to compensate Sublandlord for its damages resulting from such failure to pay and Subtenant shall promptly pay such charge to Sublandlord together with such unpaid amount.

4.4. **Default Interest.** If any Rent is not paid within ten (10) days following the due date, such unpaid amount shall bear interest from the due date until paid at the rate of ten percent (10%), provided however that interest shall not be payable on late charges incurred by Subtenant nor on any amounts on which late charges are paid by Subtenant to the extent this interest would cause the total interest to be in excess of that which an individual is lawfully permitted to charge. Payment of interest shall not excuse or cure any default by Subtenant.

5. TAXES, ASSESSMENTS AND OTHER EXPENSES

5.1. **Taxes and Assessments, Licenses, Permit Fees and Liens.**



(a) **Payment Responsibility.** Subtenant shall pay any and all real and personal property taxes, including, but not limited to, possessory interest taxes, general and special assessments, excises, licenses, permit fees and other charges and impositions of every description levied on or assessed against the Premises, any Alterations, Subtenant's Personal Property, or Subtenant's use of the Premises or any Alterations during the Term. Subtenant shall make all such payments directly to the charging authority when due and payable and at least ten (10) days prior to delinquency. However, with respect to real property taxes and assessments levied on or assessed against the Premises for which Sublandlord receives the tax bill directly from the taxing authority, Subtenant shall reimburse Sublandlord for payment of such sums immediately upon demand.

(b) **Taxability of Possessory Interest.** Without limiting the foregoing, Subtenant recognizes and agrees that this Sublease may create a possessory interest subject to property taxation and that Subtenant may be subject to the payment of property taxes levied on such interest.

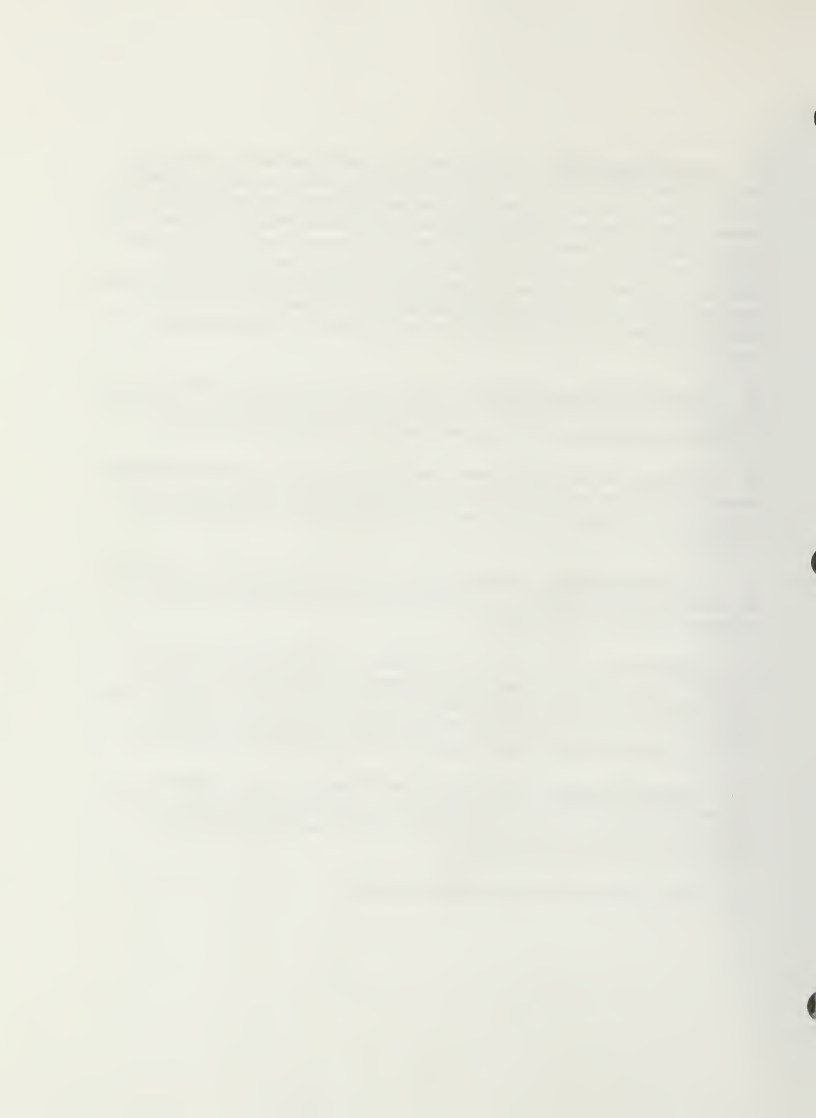
(c) **No Liens.** Subtenant shall not allow or suffer a lien for any taxes payable by Subtenant hereunder to be imposed upon the Premises or upon any equipment or other property located thereon without discharging the same as soon as practicable, and in no event subsequent to delinquency.

(d) **Reporting Information.** Subtenant agrees to provide such information as Sublandlord may request to enable Sublandlord to comply with any possessory interest tax reporting requirements applicable to this Sublease.

5.2. Other Expenses. This is a "triple net" Sublease. Accordingly, Subtenant shall be responsible for any and all other charges, costs and expenses related to its use, occupancy, operation or enjoyment of the Premises or any Alterations permitted thereon, including, without limitation, the cost of any utilities, the Navy CAM Charge, and all property maintenance, including landscaping of parking areas, or any other services necessary for Subtenant's use.

5.3. Evidence of Payment. Subtenant shall, upon Sublandlord's request, furnish to Sublandlord within ten (10) days after the date when any charges are due and payable, official receipts of the appropriate taxing authority or other evidence reasonably satisfactory to Sublandlord, evidencing payment thereof.

6. USE; COVENANTS TO PROTECT PREMISES



6.1. Subtenant's Permitted Use. Subtenant may use the Premises in connection with Subtenant's work related to the Project as provided herein, and for no other purpose without the prior written consent of Sublandlord's Executive Director.

(a) **Permitted Uses and Activities.** Subtenant may use the Premises for the following purposes: temporary office space; delivery and storage of fabricated steel; assembly of Subtenant's employees; light vehicle and equipment maintenance; refueling of equipment and vehicles; equipment storage, including storage of equipment by Subtenant's subcontractor, Robison-Prezioso, Inc. ("RPI"); and paint storage by RPI, all as more specifically set forth in the management plan attached hereto as Exhibit D (the "Management Plan"). Subtenant must obtain the prior written approval of Sublandlord's Executive Director to use the Premises in any manner, or conduct any activity upon the Premises, other than as set forth herein.

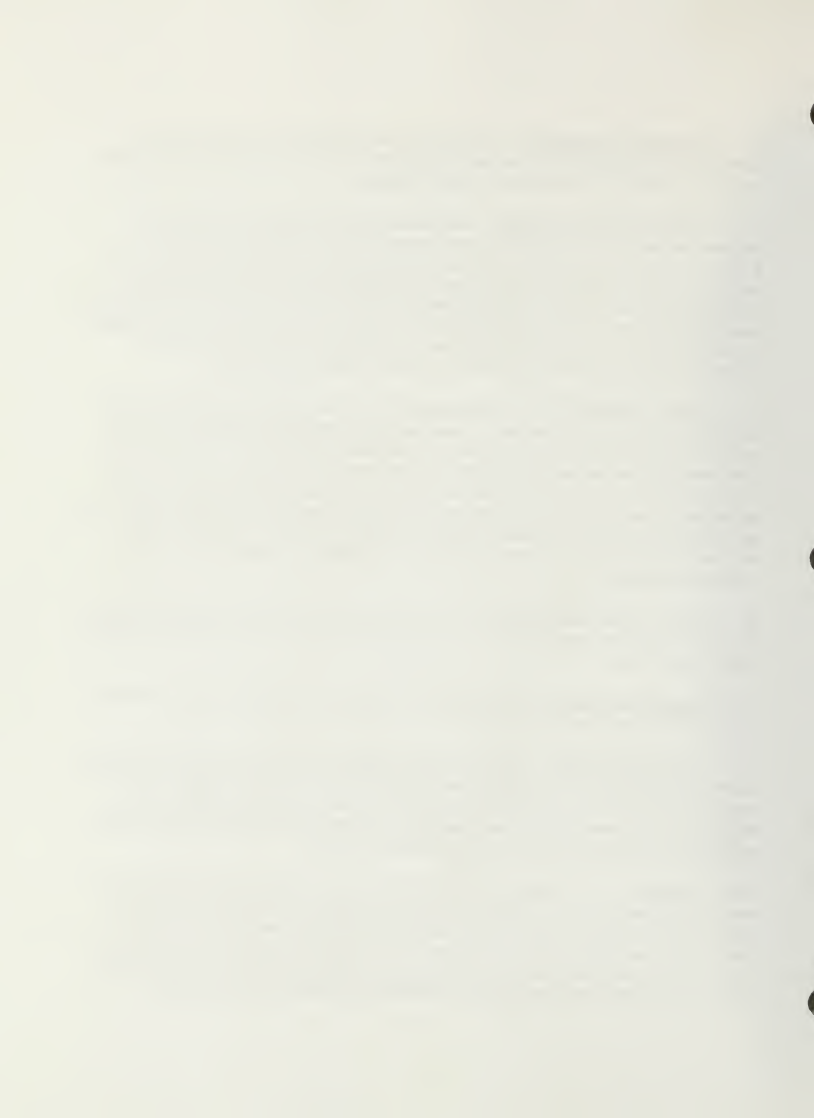
(b) **Traffic.** Subtenant shall use all reasonable efforts to limit vehicular traffic to and from the Premises. Subtenant shall not receive more than three (3) deliveries of fabricated steel per week nor redistribute more than ten (10) loads of fabricated steel per week. Subtenant shall not house more than one hundred (100) employees on the Premises during the term of the Sublease. Subtenant shall not exceed the limitations set forth herein without the prior written consent of Sublandlord's Executive Director. Subtenant shall require its employees, contractors, agents, and any other persons acting on Subtenant's behalf, including but not limited to persons making deliveries to the Premises, to use the route depicted on Exhibit E hereto for vehicular access to and from the Premises.

(c) **Noise.** Subtenant shall conduct its use of the Premises hereunder in compliance with the City's noise regulations applicable to a ____ Zoning District, as set forth in Article 29 of the San Francisco Police Code.

(d) **Hours of Operation.** Subtenant may use the Premises only during the hours of operation set forth in the Management Plan.

6.2. Rules and Regulations. Subtenant agrees to adhere to all rules and regulations regarding the Premises attached hereto as Exhibit F, and any additional rules regarding security, ingress, egress, safety and sanitation applicable to the Premises or the Property, as such rules and regulations may be prescribed by Master Landlord or Sublandlord from time to time and which are provided to Subtenant in advance of the enforcement thereof.

6.3. Easements. This Sublease shall be subject to all outstanding easements and rights-of-way for location of any type of facility over, across, in, and upon the Premises or any portion thereof, and to the right of Master Landlord to grant such additional easements and rights-of-way over, across, in and upon the Premises as Master Landlord shall determine to be in the public interest ("Additional Easements"), provided that, as provided in Section 29 of the Master Lease, Master Landlord shall use its best efforts to minimize any interference with Subtenant's



operations hereunder caused by the granting of any such Additional Easements and the granting of such Additional Easements shall be conditioned on the assumption by the grantee thereof of liability to Subtenant for such damages as Subtenant shall suffer for property destroyed or property rendered unusable on account of the grantee's exercise of its rights thereunder. There is hereby reserved to the holders of such Additional Easements as are presently outstanding or which may hereafter be granted, to any workers officially engaged in the construction, installation, maintenance, operation, repair or replacement of facilities located thereon, and to any federal, state or local official engaged in the official inspection thereof, such reasonable rights of ingress and egress over the Premises as shall be necessary for the performance of their duties with regard to such facilities.

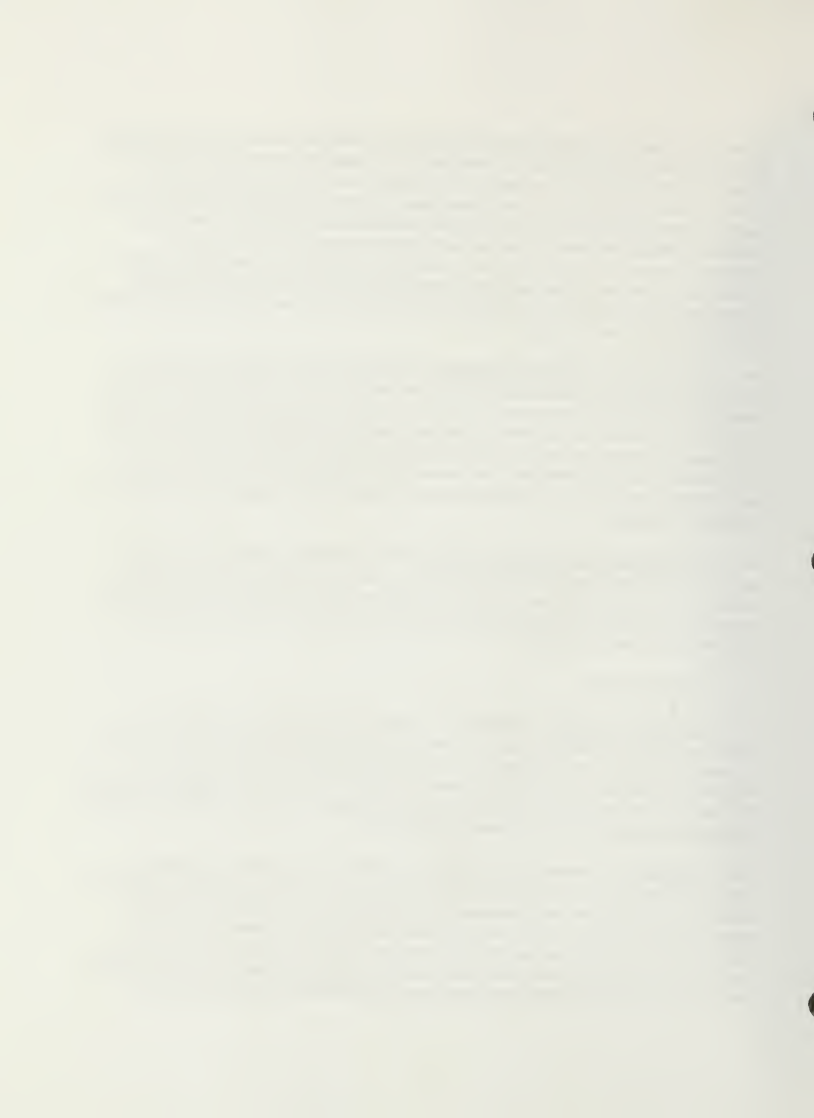
6.4. No Interference with Navy Operations. Subtenant shall not conduct operations, nor make any Alterations (as defined below), that would interfere with or otherwise restrict Master Landlord's operations or environmental clean-up or restoration actions by the Master Landlord, Sublandlord, the Environmental Protection Agency, the State of California or their contractors. Environmental clean-up, restoration or testing activities by these Parties shall take priority over the Subtenant's use of the Premises in the event of any conflict, provided, however, in such event, Master Landlord and Sublandlord shall use their best efforts to minimize any disruption of Subtenant's operation.

6.5. No Unlawful Uses, Nuisances or Waste. Without limiting the foregoing, Subtenant shall not use, occupy or permit the use or occupancy of any of the Premises in any unlawful manner or for any illegal purpose, or permit any offensive, noisy or hazardous use or any waste on or about the Premises. Subtenant shall eliminate any nuisances or hazards relating to its activities on or about the Premises.

7. ALTERATIONS

7.1. Permitted Alterations. Subtenant may prepare the Premises for, and cause to be constructed thereon, certain moveable structures suitable for the use as construction site offices as contemplated herein (the "Building"), and shall make such other improvements as are necessary to landscape the Premises, to connect to existing utility systems, to provide parking for the Premises, or to otherwise comply with the plans and specifications more particularly set forth on Exhibit G attached hereto (the "Permitted Alterations").

7.2. Alterations. Subtenant shall not construct, install, make or permit to be made any alterations, installations or additions other than the Required Alterations (the "Other Alterations", and together with the Permitted Alterations, the "Alterations") in, to or about the Premises, without Sublandlord's prior written consent in each instance, which consent may given or withheld in Sublandlord's sole and absolute discretion. Subject to Sublandlord's consent as provided above, any Alterations shall be done at Subtenant's sole expense (i) in strict accordance with plans and specifications approved in advance by Sublandlord in writing, (ii) by duly



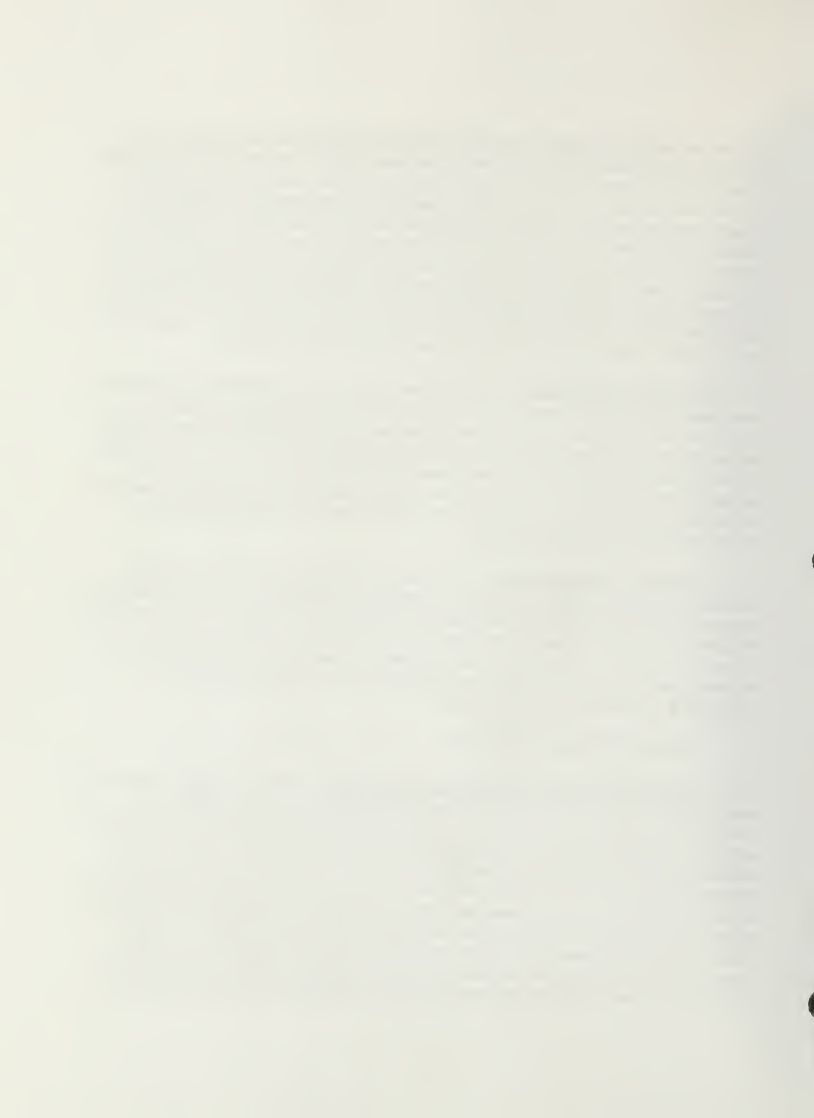
licensed and bonded contractors or mechanics approved by Sublandlord or by program youths and staff under the supervision of qualified professionals, (iii) in a good and professional manner, (iv) in strict compliance with all Laws, and (v) subject to all other conditions that Sublandlord may reasonably impose. In no event shall the construction, installation or the making of any Alterations impair the use or operation of the Property, or any portion thereof, or Sublandlord's or Master Landlord's access thereto. Prior to the commencement of any work on the Premises to construct any Alterations, Subtenant, at its sole expense, shall procure all required permits and approvals and shall promptly upon receipt deliver copies of all such documents to Sublandlord. No material change from plans and specifications for any Alterations approved by Sublandlord may be made without Sublandlord's prior consent. Sublandlord and Sublandlord's Agents shall have the right to inspect the course of construction on the Premises at all times.

7.3. Ownership of Alterations. Any Alterations constructed on or affixed to the Premises by or on behalf of Subtenant pursuant to the terms and limitations of this Section 7 shall be and remain Subtenant's property during the Term. Upon the termination of this Sublease, Subtenant shall remove all such Alterations from the Premises in accordance with the provisions of Section 18 hereof, unless Sublandlord, at its sole option and without limiting any of the provisions of Section 7.1 above, requires that such Alterations remain on the Premises following the expiration or termination of this Sublease, provided that the Building shall be considered Subtenant's Personal Property under Section 7.4 below.

7.4. Subtenant's Personal Property. All furniture, furnishings and articles of movable personal property and equipment used upon or installed in the Premises by or for the account of Subtenant that can be removed without structural or other material damage to the Premises (all of which are herein called "Subtenant's Personal Property") shall be and remain the property of Subtenant and shall be removed by Subtenant, subject to the provisions of Section 18 hereof. Subtenant shall be solely responsible for providing any security or other protection of or maintenance to Subtenant's Personal Property.

8. REPAIRS AND MAINTENANCE

8.1. Subtenant Responsible for Maintenance and Repair. Subtenant assumes full and sole responsibility for the condition, operation, repair and maintenance and management of the Premises from and after the Commencement Date and shall keep the Premises in good condition and repair. Sublandlord shall not be responsible for the performance of any repairs, changes or alterations to the Premises, nor shall Sublandlord be liable for any portion of the cost thereof. Subtenant shall make all repairs and replacements, interior and exterior, structural as well as non-structural, ordinary as well as extraordinary, foreseen and unforeseen, which may be necessary to maintain the Premises at all times in clean, safe, attractive and sanitary condition and in good order and repair, to Sublandlord's and Master Landlord's reasonable satisfaction, provided, however, that neither Subtenant nor Sublandlord shall be required to make structural repairs or Alterations to correct conditions affecting the Premises existing prior to the Commencement



Date. If any portion of the Premises is damaged by any activities conducted by Subtenant or Subtenant's Agents or Subtenant's Invitees hereunder, Subtenant shall immediately, at its sole cost, repair all such damage and restore the Premises to its previous condition.

8.2. Utilities. Sublandlord shall provide the basic utilities and services described in the attached Exhibit H (the "Standard Utilities and Services") to the Premises, subject to the terms and conditions contained therein. Subtenant shall be responsible for furnishing, at its sole costs, any utilities or services other than or in excess of the Standard Utilities and Services that Subtenant may need for its use of the Premises. Subtenant shall pay, without set off or counterclaim, all amounts due and owing for such Standard Utilities and Services at the rates provided in and as otherwise set forth in Exhibit H.

8.3. Janitorial Services. Subtenant shall provide all janitorial services for the Premises.

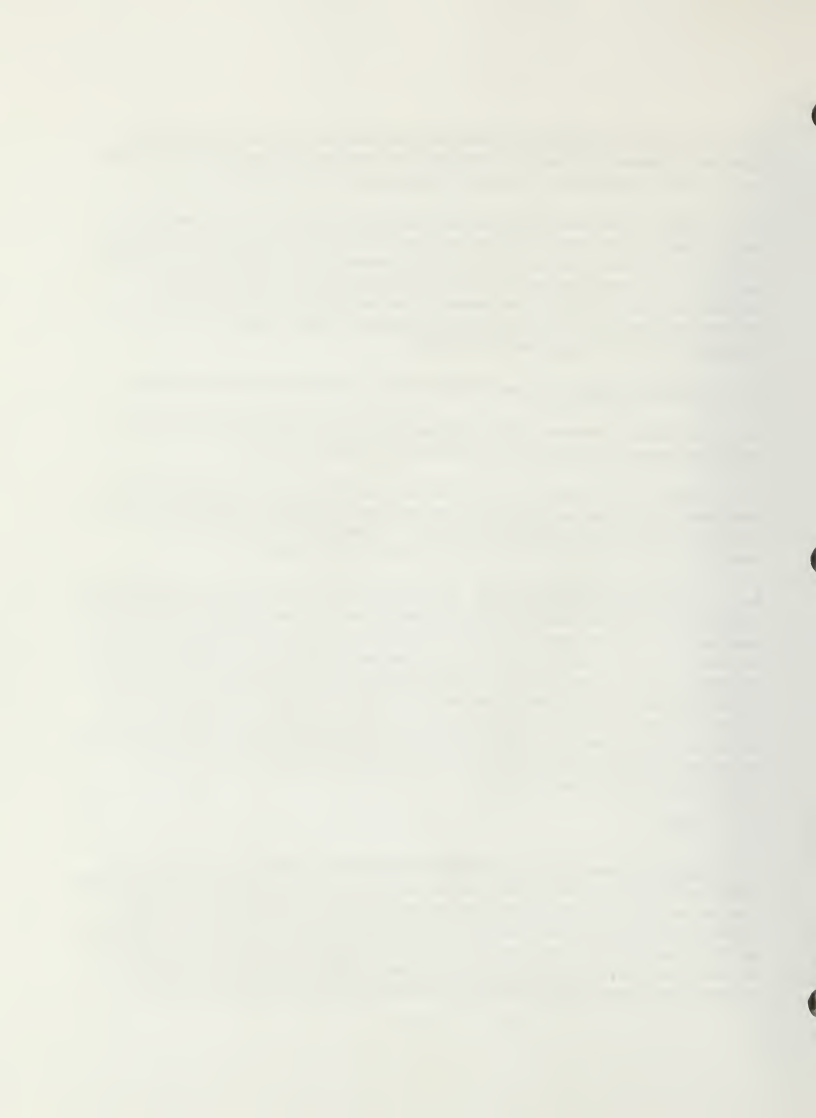
8.4. Pest Control. Subtenant shall provide and pay for all pest control services required within the Premises, and shall keep the Premises free of all pests at all times.

8.5. Trash. Subtenant shall deposit all trash into designated containers in the Premises in compliance with the Rules and Regulations attached hereto as Exhibit F. Subtenant shall pay for the removal of trash from the designated containers. Subtenant shall abide by all rules established by Sublandlord or Master Landlord for the handling of trash.

8.6. No Right to Repair and Deduct. Subtenant expressly waives the benefit of any existing or future Laws or judicial or administrative decision that would otherwise permit Subtenant to make repairs or replacements at Sublandlord's expense, or to terminate this Sublease because of Sublandlord's failure to keep the Premises or any part thereof in good order, condition or repair, or to abate or reduce any of Subtenant's obligations hereunder on account of the Premises or any part thereof being in need of repair or replacement. Without limiting the foregoing, Subtenant expressly waives the provisions of California Civil Code Sections 1932, 1941 and 1942 or any similar Laws with respect to any right of Subtenant to terminate this Sublease and with respect to any obligations of Sublandlord hereunder or any right of Subtenant to make repairs or replacements and deduct the cost thereof.

9. LIENS

9.1. Liens. Subtenant shall keep the Premises free from any liens arising out of any work performed, material furnished or obligations incurred by or for Subtenant. In the event Subtenant does not, within five (5) days following the imposition of any such lien, cause the lien to be released of record by payment or posting of a proper bond, Sublandlord shall have in addition to all other remedies provided herein and by law or equity the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including, but not limited to, payment of the claim giving rise to such lien. All such sums paid by Sublandlord and all



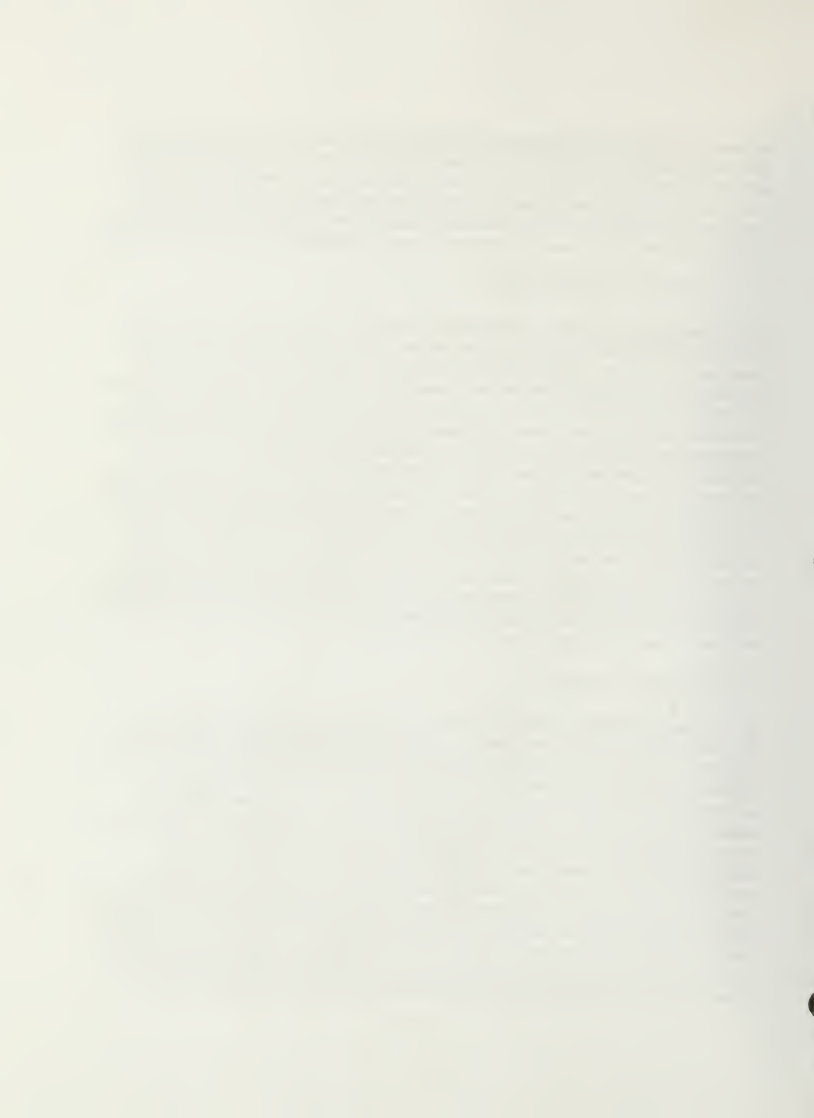
expenses it incurs in connection therewith (including, without limitation, reasonable attorneys' fees) shall be payable to Sublandlord by Subtenant upon demand. Sublandlord shall have the right at all times to post and keep posted on the Premises any notices permitted or required by law or that Sublandlord deems proper for its protection and protection of the Premises from mechanics' and materialmen's liens. Subtenant shall give Sublandlord at least fifteen (15) days' prior written notice of the commencement of any repair or construction on any of the Premises.

10. COMPLIANCE WITH LAWS

10.1. Compliance with Laws. Subtenant shall promptly, at its sole expense, maintain the Premises and Subtenant's use and operations thereon in strict compliance at all times with all present and future Laws, whether foreseen or unforeseen, ordinary as well as extraordinary, provided however, that Subtenant shall not be required to make repairs or structural changes to the Premises required solely to correct conditions affecting the Premises existing prior to the Commencement Date or not related to Subtenant's use of the Premises, unless the requirement for such changes is imposed as a result of any Alterations made or requested to be made by Subtenant. Such Laws shall include, without limitation, all Laws relating to health and safety and disabled accessibility including, without limitation, the Americans with Disabilities Act, 42 U.S.C.A. §§ 12101 et seq. and Title 24 of the California Code of Regulations, all present and future Environmental Laws (as defined in this Sublease below). No occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, and however extraordinary, shall give Subtenant any right to seek redress against Sublandlord for failing to comply with any Laws. Subtenant waives any rights now or hereafter conferred upon it by any existing or future Law to compel Sublandlord to make any repairs to comply with any such Laws, on account of any such occurrence or situation.

10.2. Regulatory Approvals.

(a) **Responsible Party.** Subtenant understands and agrees that Subtenant's use of the Premises and construction of the Alterations permitted hereunder may require authorizations, approvals or permits from governmental regulatory agencies with jurisdiction over the Premises. Subtenant shall be solely responsible for obtaining any and all such regulatory approvals, including without limitation any liquor permits or approvals. Subtenant shall not seek any regulatory approval without first obtaining the written consent of Sublandlord. Subtenant shall bear all costs associated with applying for, obtaining and maintaining any necessary or appropriate regulatory approval and shall be solely responsible for satisfying any and all conditions imposed by regulatory agencies as part of a regulatory approval. Any fines or penalties levied as a result of Subtenant's failure to comply with the terms and conditions of any regulatory approval shall be immediately paid and discharged by Subtenant, and Sublandlord shall have no liability, monetary or otherwise, for any such fines or penalties. Subtenant shall indemnify, protect, defend and hold harmless forever ("Indemnify") the Sublandlord and City, including, but not limited to, all of their respective officers, directors, employees, agents,



affiliates, subsidiaries, licensees, contractors, boards, commissions, departments, agencies and other subdivisions and each of the persons acting by, through or under each of them, and their respective heirs, legal representatives, successors and assigns, and each of them (the "Indemnified Parties") against any and all claims, demands, losses, liabilities, damages, liens, injuries, penalties, fines, lawsuits and other proceedings, judgments and awards and costs and expenses, including, without limitation, reasonable attorneys' and consultants' fees and costs ("Losses") arising in connection with Subtenant's failure to obtain or comply with the terms and conditions of any regulatory approval.

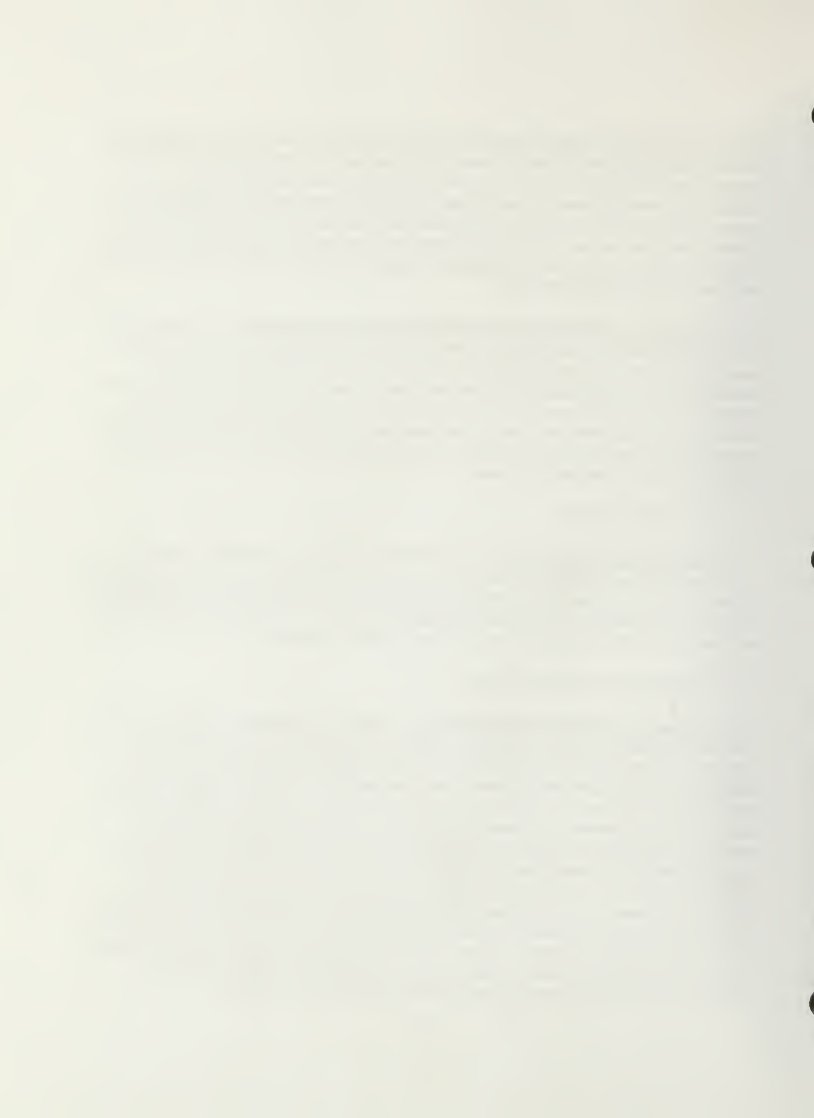
10.3. Compliance with Sublandlord's Risk Management Requirements. Subtenant shall not do anything, or permit anything to be done, in or about the Premises or to any Alterations permitted hereunder that would create any unusual fire risk, and shall take commercially reasonable steps to protect Sublandlord from any potential premises liability. Subtenant shall faithfully observe, at its expense, any and all reasonable requirements of Sublandlord's Risk Manager with respect thereto and with the requirements of any policies of commercial general, all risk property or other policies of insurance at any time in force with respect to the Premises and any Alterations as required hereunder.

11. ENCUMBRANCES

11.1. Encumbrance By Subtenant. Notwithstanding anything to the contrary contained in this Sublease, Subtenant shall not under any circumstances whatsoever create any mortgage, deed of trust, assignment of rents, fixture filing, security agreement, or similar security instrument, or other lien or encumbrance or assignment or pledge of an asset as security in any manner against the Premises or Sublandlord's or Subtenant's interest under this Sublease.

12. DAMAGE OR DESTRUCTION

12.1. Damage or Destruction to the Premises. In the case of damage to or destruction of the Premises by earthquake, flood or any other casualty, which (i) is not caused by Subtenant or Subtenant's Agents or Subtenant's Invitees, (ii) is not covered by the insurance described in Section 16 below, (iii) prevents Subtenant from operating the Premises for the purposes stated herein, and (iv) costs more than Twenty-Five Thousand Dollars (\$25,000) to repair, Subtenant may terminate this Sublease upon thirty (30) days prior written notice and upon any such termination Subtenant shall surrender the Premises in accordance with Section 18 (except for damage caused by the casualty pursuant to which the Sublease may be terminated under this Section 12.1) and both Parties shall be relieved of any liability for such termination or for repairing such damage. Except as specifically provided above, Subtenant shall, at its sole cost, promptly restore, repair, replace or rebuild the Premises to the condition the Premises were in prior to such damage or destruction, subject to any Alterations made in strict accordance with the requirements of Section 7.1 above. Under no circumstances shall Sublandlord have any obligation to repair, replace or rebuild the Premises in the event of a casualty.



12.2. No Abatement in Rent. In the event of any damage or destruction to the Premises, and if neither party terminates this Sublease as provided in Section 12.1 above, there shall be no abatement in the Rent payable hereunder.

12.3. Waiver. The Parties understand and agree that the foregoing provisions of this Section are intended to govern fully the rights and obligations of the Parties in the event of damage or destruction to the Premises or Alterations, and Sublandlord and Subtenant each hereby waives and releases any right to terminate this Sublease in whole or in part under Sections 1932.2 and 1933.4 of the Civil Code of California or under any similar Laws now or hereafter in effect, to the extent such rights are inconsistent with the provisions hereof.

13. ASSIGNMENT AND SUBLETTING

13.1. Restriction on Assignment and Subletting. Subtenant shall not directly or indirectly (including, without limitation, by merger, acquisition or other transfer of any controlling interest in Subtenant), voluntarily or by operation of Law, sell, assign, encumber, pledge or otherwise transfer any part of its interest in or rights with respect to the Premises, any Alterations or its interest in this Sublease, or permit any portion of the Premises to be occupied by anyone other than itself, or sublet any portion of the Premises, without Sublandlord's prior written consent in each instance, which Sublandlord may grant or withhold in its sole and absolute discretion.

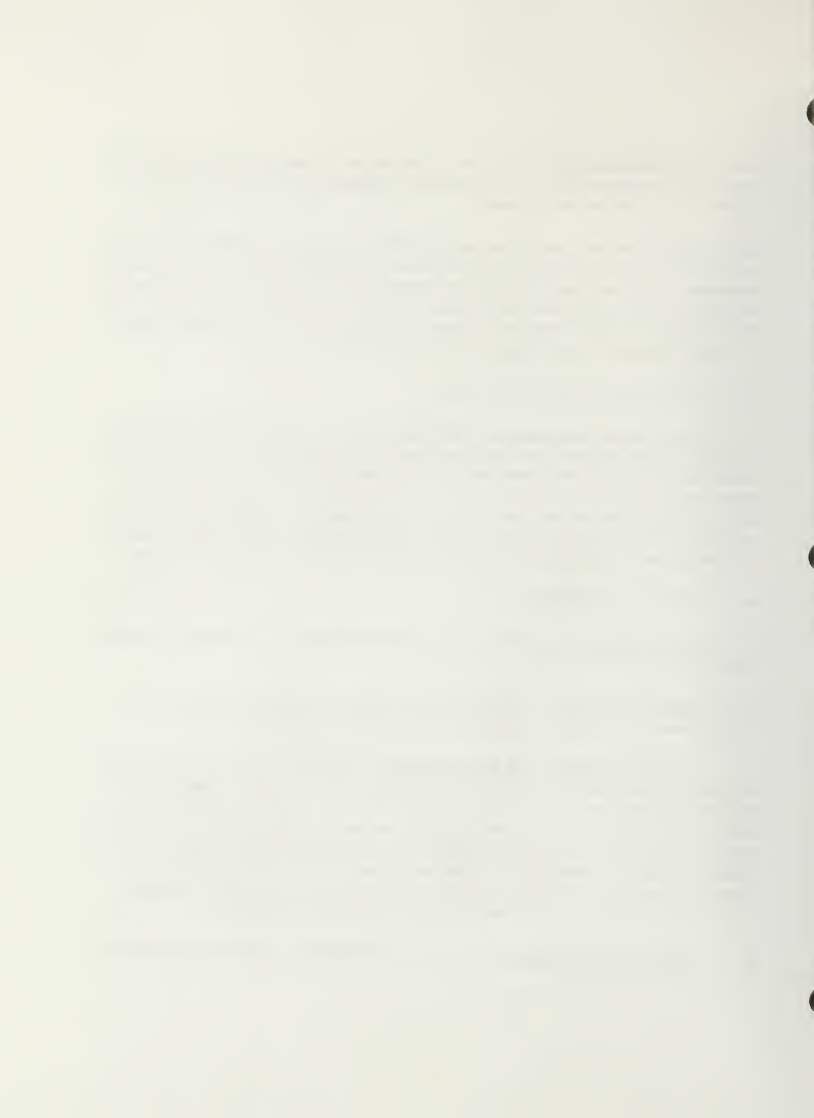
14. DEFAULT; REMEDIES

14.1. Events of Default. Any of the following shall constitute an event of default ("Event of Default") by Subtenant hereunder:

(a) **Failure to Pay Rent.** Any failure to pay any Rent or any other sums due hereunder, including sums due for utilities, within five (5) days after such sums are due;

(b) **Covenants, Conditions and Representations.** Any failure to perform or comply with any other covenant, condition or representation made under this Sublease, provided Subtenant shall have a period of ten (10) days from the date of written notice from Sublandlord of such failure within which to cure such default under this Sublease, or, if such default is not capable of cure within such 10-day period, Subtenant shall have a reasonable period to complete such cure if Subtenant promptly undertakes action to cure such default within such 10-day period and thereafter diligently prosecutes the same to completion and uses its best efforts to complete such cure within sixty (60) days after the receipt of notice of default from Sublandlord.

(c) **Vacation or Abandonment.** Any abandonment of the Premises for more than fourteen (14) consecutive days; and



(d) **Bankruptcy.** The appointment of a receiver to take possession of all or substantially all of the assets of Subtenant, or an assignment by Subtenant for the benefit of creditors, or any action taken or suffered by Subtenant under any insolvency, bankruptcy, reorganization, moratorium or other debtor relief act or statute, whether now existing or hereafter amended or enacted.

14.2. Remedies. Upon the occurrence of an Event of Default by Subtenant, Sublandlord shall have the following rights and remedies in addition to all other rights and remedies available to Sublandlord at Law or in equity:

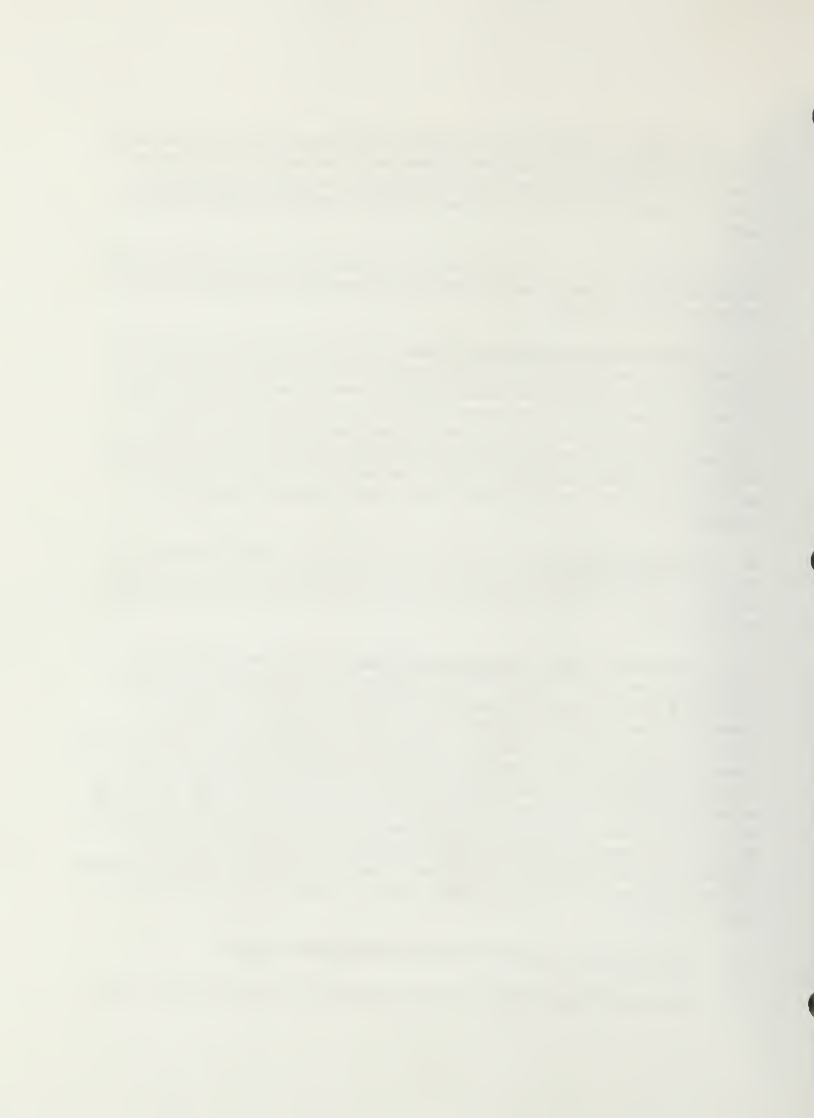
(a) **Terminate Sublease and Recover Damages.** The rights and remedies provided by law California Civil Code Section 1951.2 (damages on termination for breach), including, but not limited to, the right to terminate Subtenant's right to possession of the Premises and to recover the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of rental loss for the same period that Subtenant proves could be reasonably avoided, as computed pursuant to subsection (b) of such Section 1951.2. Sublandlord's efforts to mitigate the damages caused by Subtenant's breach of this Sublease shall not waive Sublandlord's rights to recover unmitigated damages upon termination.

(b) **Appointment of Receiver.** The right to have a receiver appointed for Subtenant upon application by Sublandlord to take possession of the Premises and to apply any rental collected from the Premises and to exercise all other rights and remedies granted to Sublandlord pursuant to this Sublease.

14.3. Sublandlord's Right to Cure Subtenant's Defaults. If Subtenant defaults in the performance of any of its obligations under this Sublease, then Sublandlord may at any time thereafter with three (3) days prior written notice (except in the event of an emergency as determined by Sublandlord), remedy such Event of Default for Subtenant's account and at Subtenant's expense. Subtenant shall pay to Sublandlord, as Additional Charges, promptly upon demand, all sums expended by Sublandlord, or other costs, damages, expenses or liabilities incurred by Sublandlord, including, without limitation, reasonable attorneys' fees, in remedying or attempting to remedy such Event of Default. Subtenant's obligations under this Section shall survive the termination of this Sublease. Nothing herein shall imply any duty of Sublandlord to do any act that Subtenant is obligated to perform under any provision of this Sublease, and Sublandlord's cure or attempted cure of Subtenant's Event of Default shall not constitute a waiver of Subtenant's Event of Default or any rights or remedies of Sublandlord on account of such Event of Default.

15. RELEASE AND WAIVER OF CLAIMS; INDEMNIFICATION

15.1. Release and Waiver of Claims. Subtenant, on behalf of itself and Subtenant's Agents,

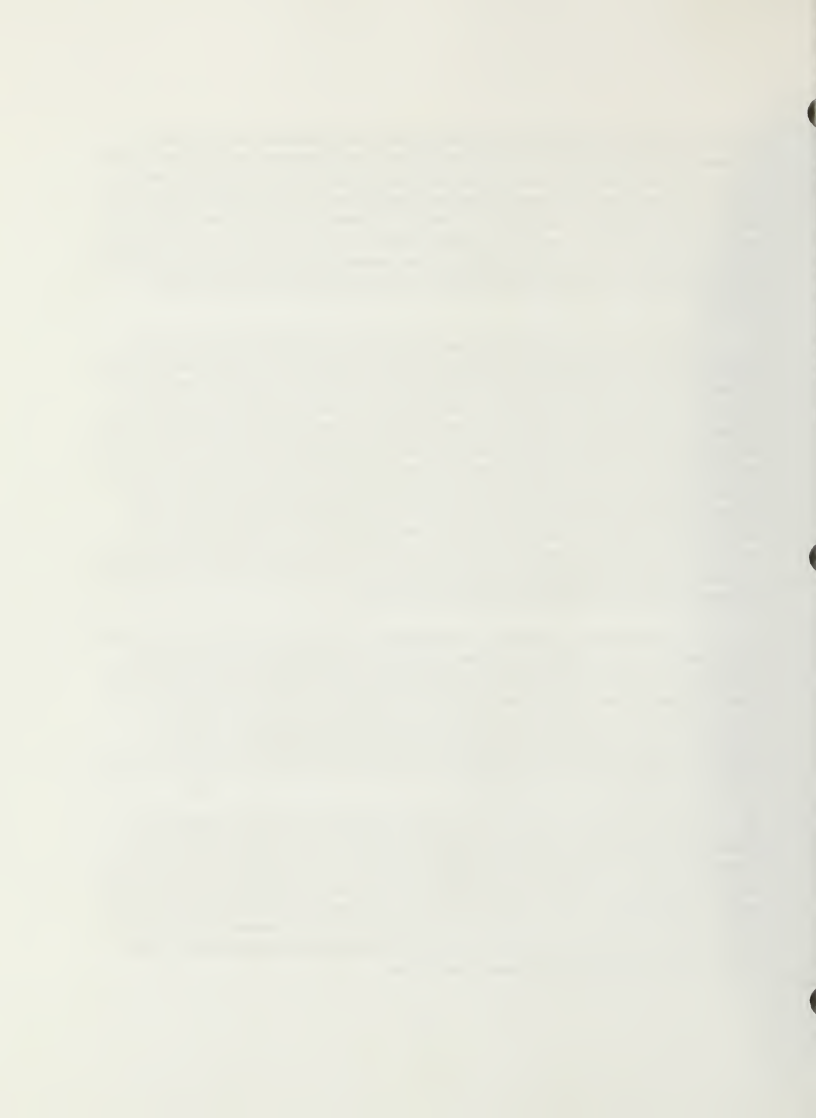


covenants and agrees that the Indemnified Parties shall not be responsible for or liable to Subtenant for, and, to the fullest extent allowed by any Laws, Subtenant hereby waives all rights against the Indemnified Parties and releases them from, any and all Losses, including, but not limited to, incidental and consequential damages, relating to any injury, accident or death of any person or loss or damage to any property, in or about the Premises, from any cause whatsoever, including without limitation, partial or complete collapse of the Premises due to an earthquake or subsidence, except only to the extent such Losses are caused exclusively by the gross negligence or willful misconduct of the Indemnified Parties. Without limiting the generality of the foregoing:

(a) Subtenant expressly acknowledges and agrees that the consideration and other sums payable hereunder does not take into account any potential liability of the Indemnified Parties for any consequential or incidental damages including, but not limited to, lost profits arising out of disruption to Subtenant's uses hereunder. Sublandlord would not be willing to enter into this Sublease in the absence of a complete waiver of liability for consequential or incidental damages due to the acts or omissions of the Indemnified Parties, and Subtenant expressly assumes the risk with respect thereto. Accordingly, without limiting any indemnification obligations of Subtenant or other waivers contained in this Sublease and as a material part of the consideration for this Sublease, Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all claims, demands, rights, and causes of action for consequential and incidental damages and covenants not to sue the Indemnified Parties for such damages arising out of this Sublease or the uses authorized hereunder, including, without limitation, any interference with uses conducted by Subtenant pursuant to this Sublease regardless of the cause.

(b) Without limiting any indemnification obligations of Subtenant or other waivers contained in this Sublease and as a material part of the consideration for this Sublease, Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all claims, demands, rights, and causes of action against, and covenants not to sue the Indemnified Parties under any present or future Laws, statutes, or regulations, including, but not limited to, any claim for inverse condemnation or the payment of just compensation under the law of eminent domain, or otherwise at equity, in the event that Sublandlord terminates this Sublease because of such claim for inverse condemnation or eminent domain.

(c) As part of Subtenant's agreement to accept the Premises in its "As Is" condition as provided herein, and without limiting such agreement and any other waiver contained herein, Subtenant on behalf of itself and its successors and assigns, waives its right to recover from, and forever RELEASES, WAIVES AND DISCHARGES, the Indemnified Parties from any and all Losses, whether direct or indirect, known or unknown, foreseen and unforeseen, that may arise on account of or in any way be connected with the physical or environmental condition of the Premises and any related improvements or any Laws or regulations applicable thereto or the suitability of the Premises for Subtenant's intended use.



(d) Subtenant acknowledges that it will not be a displaced person at the time this Sublease is terminated, and Subtenant fully RELEASES, WAIVES AND DISCHARGES, the Indemnified Parties from any and all Losses and any and all claims, demands or rights against any of the Indemnified Parties under any present and future Laws, including, without limitation, any and all claims for relocation benefits or assistance from the Indemnified Parties under federal and state relocation assistance laws.

(e) Subtenant covenants and agrees never to file, commence, prosecute or cause to be filed, commenced or prosecuted against the Indemnified Parties any claim, action or proceeding based upon any claims, demands, causes of action, obligations, damages, losses, costs, expenses or liabilities of any nature whatsoever encompassed by the waivers and releases set forth in this Section 15.1.

(f) In executing these waivers and releases, Subtenant has not relied upon any representation or statement other than as expressly set forth herein.

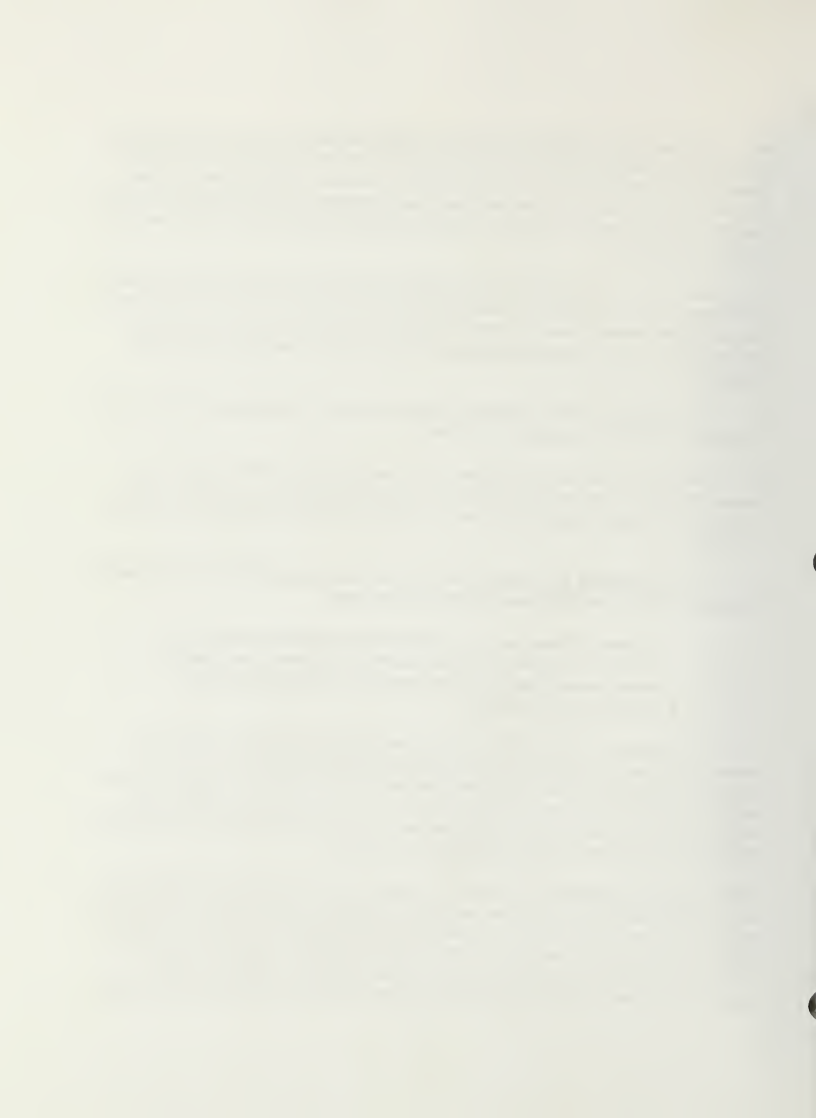
(g) Subtenant had made such investigation of the facts pertaining to these waivers and releases it deems necessary and assumes the risk of mistake with respect to such facts. These waivers and releases are intended to be final and binding on Subtenant regardless of any claims of mistake.

(h) In connection with the foregoing releases, Subtenant acknowledges that it is familiar with Section 1542 of the California Civil Code, which reads:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Subtenant acknowledges that the releases contained herein includes all known and unknown, disclosed and undisclosed, and anticipated and unanticipated claims. Subtenant realizes and acknowledges that it has agreed upon this Sublease in light of this realization and, being fully aware of this situation, it nevertheless intends to waive the benefit of Civil Code Section 1542, or any statute or other similar law now or later in effect. The waivers and releases contained herein shall survive any termination of this Sublease.

15.2. Subtenant's Indemnity. Subtenant, on behalf of itself and Subtenant's Agents, shall Indemnify the Indemnified Parties from and against any and all Losses arising out of Subtenant's use of the Premises, including but not limited to, any Losses arising out of: (a) any damage to or destruction of any property owned by or in the custody of Subtenant or Subtenant's Agents or Subtenant's Invitees; (b) any accident, injury to or death of a person, including, without limitation, Subtenant's Agents and Subtenant's Invitees, howsoever or by whomsoever caused,

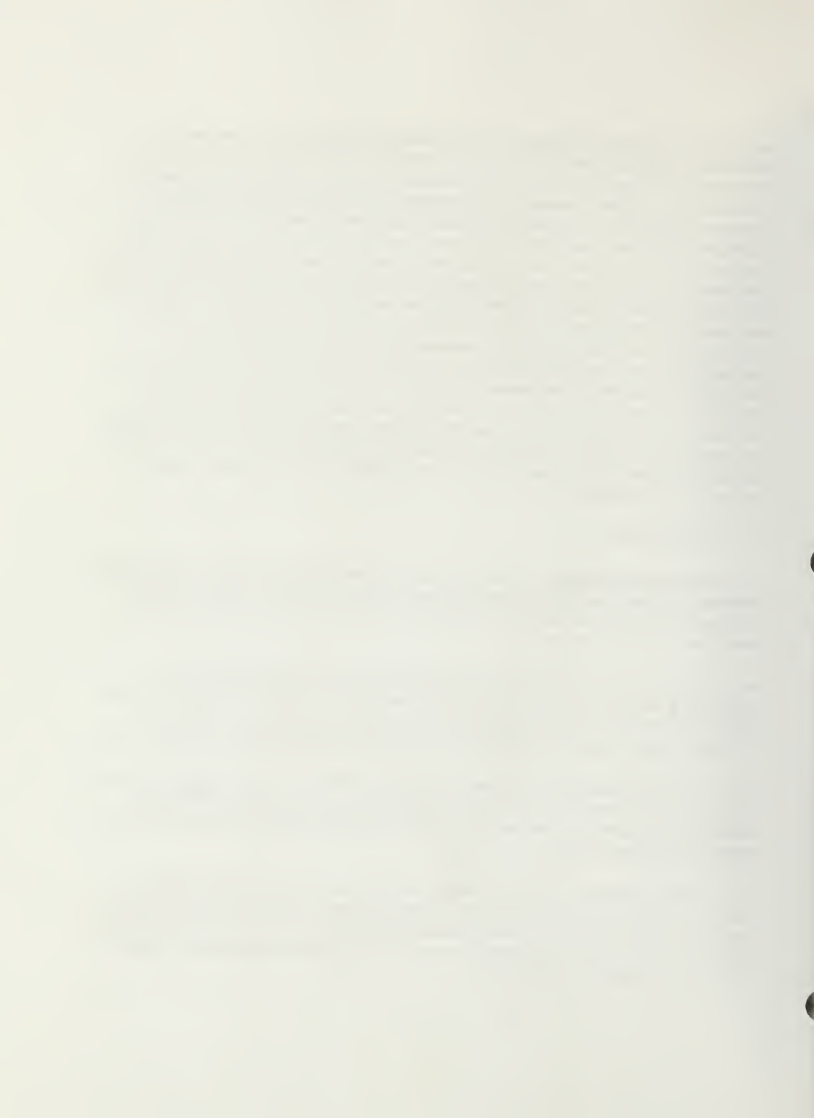


occurring in, on or about the Premises; (c) any default by Subtenant in the observation or performance of any of the terms, covenants or conditions of this Sublease to be observed or performed on Subtenant's part; (d) the use, occupancy, conduct or management, or manner of use, occupancy, conduct or management by Subtenant, Subtenant's Agents or Subtenant's Invitees or any person or entity claiming through or under any of them, of the Premises or any Alterations; and (e) any construction or other work undertaken by Subtenant on or about the Premises; except to the extent that such Indemnity is void or otherwise unenforceable under any applicable Laws in effect on or validly retroactive to the date of this Sublease and further except only to the extent such Losses are caused by the gross negligence and intentional wrongful acts and omissions of the Indemnified Parties. The foregoing Indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs and Sublandlord's costs of investigating any Loss. Subtenant specifically acknowledges and agrees that it has an immediate and independent obligation to defend Sublandlord and the other Indemnified Parties from any claim which actually or potentially falls within this indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to Subtenant by Sublandlord and continues at all times thereafter. Subtenant's obligations under this Section shall survive the expiration or sooner termination of this Sublease.

16. INSURANCE

16.1. Subtenant's Insurance. [Policy coverage and limits subject to review by City's Risk Manager] Without in any way limiting Subtenant's liability pursuant to Section 15 hereof, Subtenant shall procure and maintain throughout the Term of this Sublease and pay the cost thereof the following insurance:

- (a) Commercial general liability insurance with limits not less than \$1,000,000 each occurrence combined single limit for bodily injury and property damage, including contractual liability, personal injury, products and completed operations. Such insurance shall provide coverage at least as broad as provided under Insurance Service Form Number CG-00-01-11-88.
- (b) Workers' compensation insurance with employer's liability insurance covering all persons employed and with respect to whom death or bodily injury claims could be asserted against Sublandlord, Subtenant, the Premises or any other Sublandlord property, in an amount not less than \$1,000,000 each accident.
- (c) Business automobile liability insurance with limits not less than \$1,000,000 each occurrence combined single limit for bodily injury and property damage, including owned and non-owned and hired vehicles, if Subtenant uses automobiles in connection with its use of the Premises. Such insurance shall provide coverage at least as broad as provided under Insurance Service Form Number CA-00-01-06-92.



16.2. General Requirements. All insurance provided for under this Sublease shall be effected under valid enforceable policies issued by insurers of recognized responsibility and reasonably approved by Sublandlord.

(a) Should any of the required insurance be provided under a claims-made form, Subtenant shall maintain such coverage continuously throughout the term hereof and, without lapse, for a period of three (3) years beyond the expiration or termination of this Sublease, to the effect that, should occurrences during the Term give rise to claims made after expiration or termination of this Sublease, such claims shall be covered by such claims-made policies.

(b) Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in such general annual aggregate limit, such general aggregate limit shall double the occurrence or claims limits specified above.

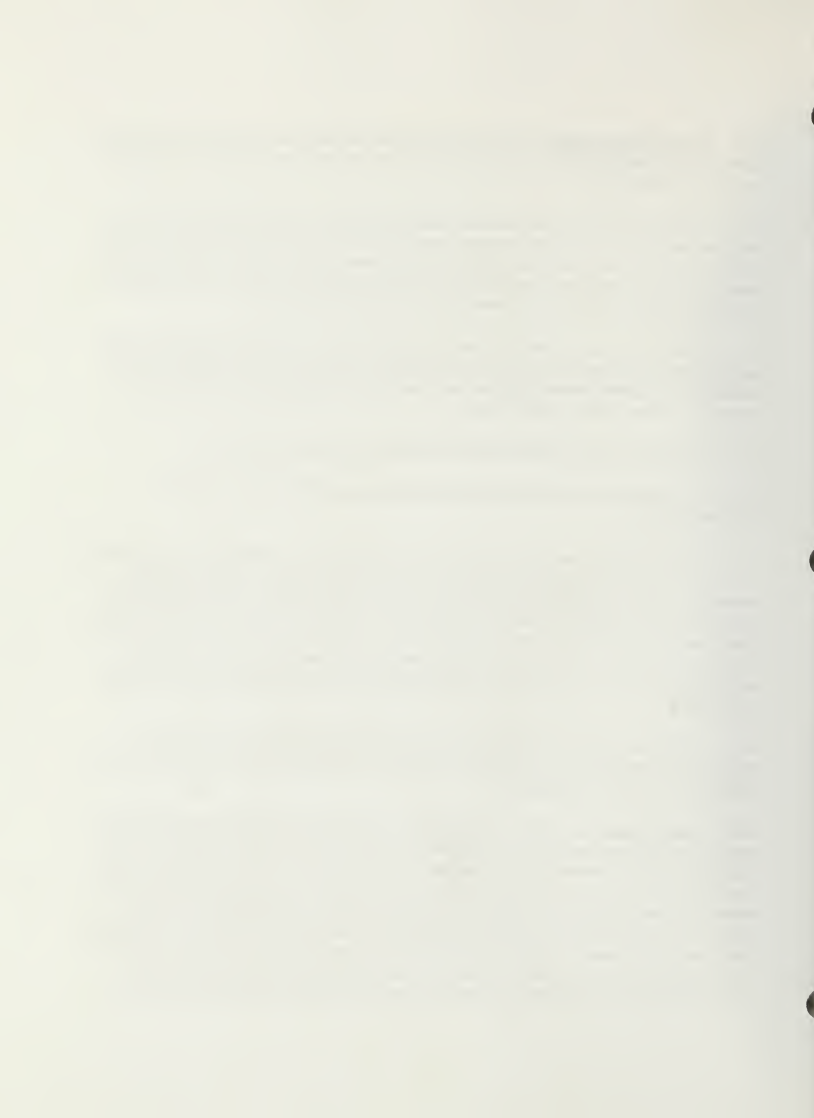
(c) All liability insurance policies shall be endorsed to provide the following:

(i) Cover Subtenant as the insured and the Sublandlord and the Master Landlord as additional insureds.

(ii) That such policies are primary insurance to any other insurance available to the additional insureds, with respect to any claims arising out of this Sublease, and that insurance applies separately to each insured against whom claim is made or suit is brought. Such policies shall also provide for severability of interests and that an act or omission of one of the named insureds which would void or otherwise reduce coverage shall not reduce or void the coverage as to any insured, and shall afford coverage for all claims based on acts, omissions, injury or damage which occurred or arose (or the onset of which occurred or arose) in whole or in part during the policy period.

(iii) All policies shall be endorsed to provide thirty (30) days' advance written notice to Sublandlord of cancellation, non-renewal or reduction in coverage, mailed to the address(es) for Sublandlord set forth in Section 20.1.

16.3. Proof of Insurance. Subtenant shall deliver to Sublandlord certificates of insurance in form and with insurers satisfactory to Sublandlord, evidencing the coverages required hereunder, on or before the Commencement Date, together with complete copies of the policies promptly upon Sublandlord's request, and Subtenant shall provide Sublandlord with certificates or policies thereafter at least thirty (30) days before the expiration dates of expiring policies. As to the insurance required pursuant to Section 16.1(b)(1) above, such certificate shall state, among other things, that such insurance coverage includes and shall cover Subtenant's indemnity obligations under Section 15.2 above. In the event Subtenant shall fail to procure such insurance, or to deliver such policies or certificates, Sublandlord may, at its option, procure the same for the



account of Subtenant, and the cost thereof shall be paid to Sublandlord within five (5) days after delivery to Subtenant of bills therefor.

16.4. No Limitation on Indemnities. Subtenant's compliance with the provisions of this Section shall in no way relieve or decrease Subtenant's indemnification obligations herein or any of Subtenant's other obligations or liabilities under this Sublease.

16.5. Lapse of Insurance. Notwithstanding anything to the contrary in this Sublease, Sublandlord may elect in Sublandlord's sole and absolute discretion to terminate this Sublease upon the lapse of any required insurance coverage by written notice to Subtenant.

16.6. Subtenant's Personal Property. Subtenant shall be responsible, at its expense, for separately insuring Subtenant's Personal Property.

17. ACCESS BY SUBLANDLORD

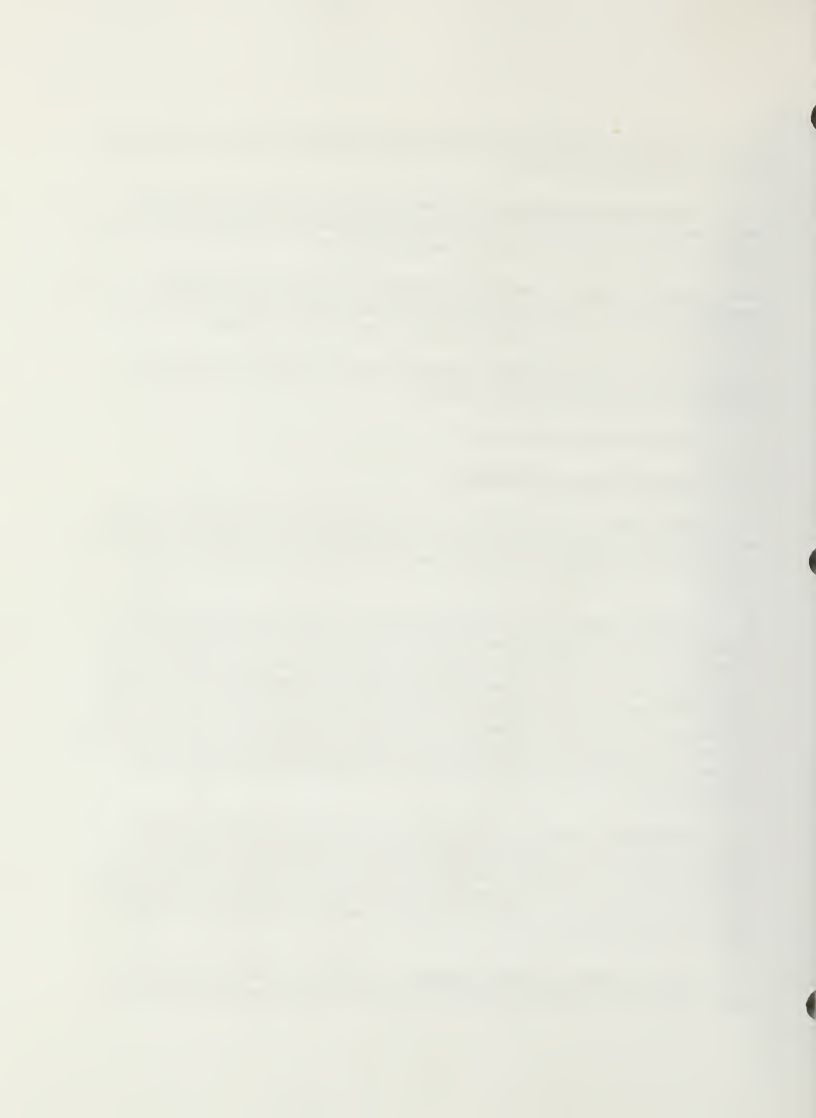
17.1. Access to Premises by Sublandlord.

(a) **General Access.** Sublandlord reserves for itself and Sublandlord's Agents, the right to enter the Premises and any portion thereof at all reasonable times upon not less than twenty-four (24) hours oral or written notice to Subtenant (except in the event of an emergency) for any purpose.

(b) **Emergency Access.** In the event of any emergency, as determined by Sublandlord, Sublandlord may, at its sole option and without notice, enter the Premises and alter or remove any Alterations or Subtenant's Personal Property on or about the Premises. Sublandlord shall have the right to use any and all means Sublandlord considers appropriate to gain access to any portion of the Premises in an emergency. In such case, Sublandlord shall not be responsible for any damage or injury to any such property, nor for the replacement of any such property and any such emergency entry shall not be deemed to be a forcible or unlawful entry onto or a detainer of, the Premises, or an eviction, actual or constructive, of Subtenant from the Premises or any portion thereof.

(c) **No Liability.** Sublandlord shall not be liable in any manner, and Subtenant hereby waives any claims, for any inconvenience, disturbance, loss of business, nuisance or other damage arising out of Sublandlord's entry onto the Premises, except damage resulting directly and exclusively from the gross negligence or willful misconduct of Sublandlord or Sublandlord's Agents and not contributed to by the acts, omissions or negligence of Subtenant, Subtenant's Agents or Subtenant's Invitees.

17.2. Access to Premises by Master Landlord. Subtenant acknowledges and agrees that Master Landlord shall have all of the rights of access to the Premises described in the Master



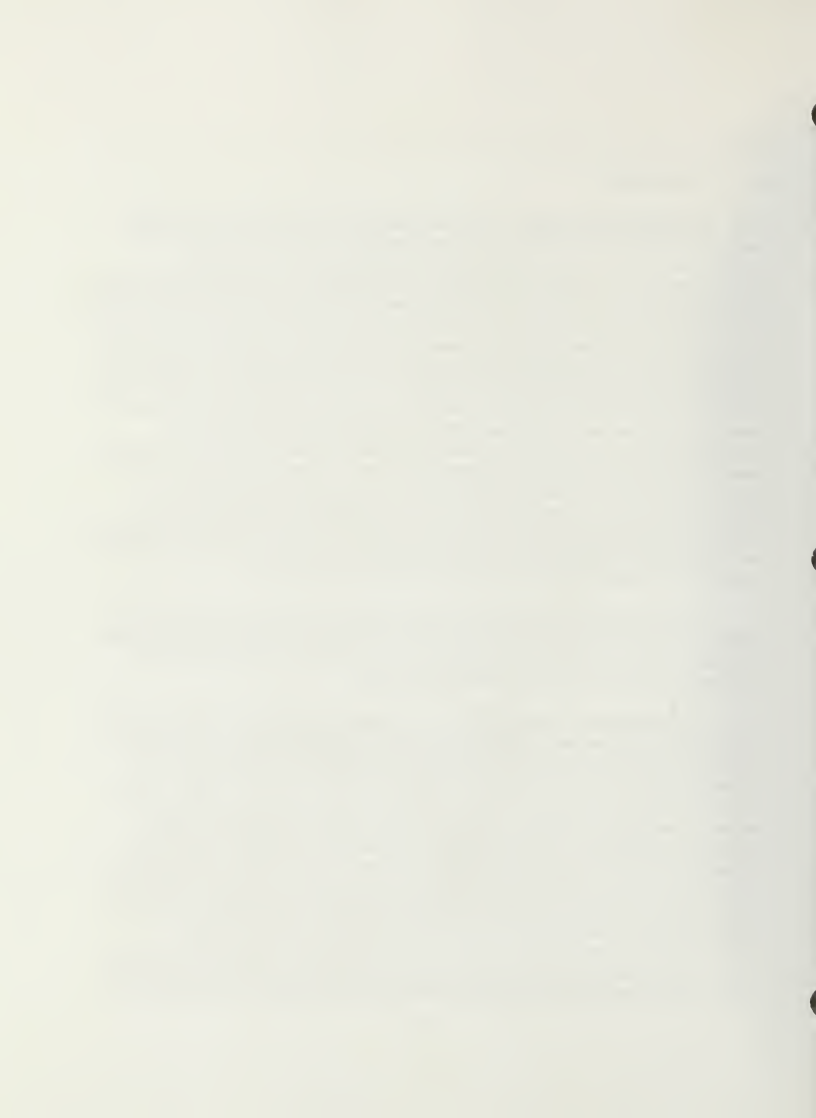
Lease.

18. SURRENDER

18.1. Surrender of the Premises. Upon the termination of this Sublease, Subtenant shall surrender to Sublandlord the Premises in the same condition as of the Commencement Date, ordinary wear and tear excepted, and free and clear of all liens, easements and other Encumbrances created or suffered by, through or under Subtenant. On or before any termination hereof, Subtenant shall, at its sole cost, remove any and all of Subtenant's Personal Property from the Premises and demolish and remove any and all Alterations from the Premises (except for any Alterations that Sublandlord agrees are to remain part of the Premises pursuant to the provisions of Section 7.4 above). In addition, Subtenant shall, at its sole expense, repair any damage to the Premises resulting from the removal of any such items and restore the Premises to their condition immediately prior to the presence of any Alterations. In connection therewith, Subtenant shall obtain any and all necessary permits and approvals, including, without limitation, any environmental permits, and execute any manifests or other documents necessary to complete the demolition, removal or restoration work required hereunder. Subtenant's obligations under this Section shall survive the termination of this Sublease. Any items of Subtenant's Personal Property remaining on or about the Premises after the termination of this Sublease may, at Sublandlord's option and after thirty (30) days written notice to Subtenant, be deemed abandoned and in such case Sublandlord may dispose of such property in accordance with Section 1980, et seq., of the California Civil Code or in any other manner allowed by Law.

If Subtenant fails to surrender the Premises to Sublandlord upon the termination of this Sublease as required by this Section, Subtenant shall Indemnify Sublandlord against all Losses resulting therefrom, including, without limitation, Losses made by a succeeding Subtenant resulting from Subtenant's failure to surrender the Premises.

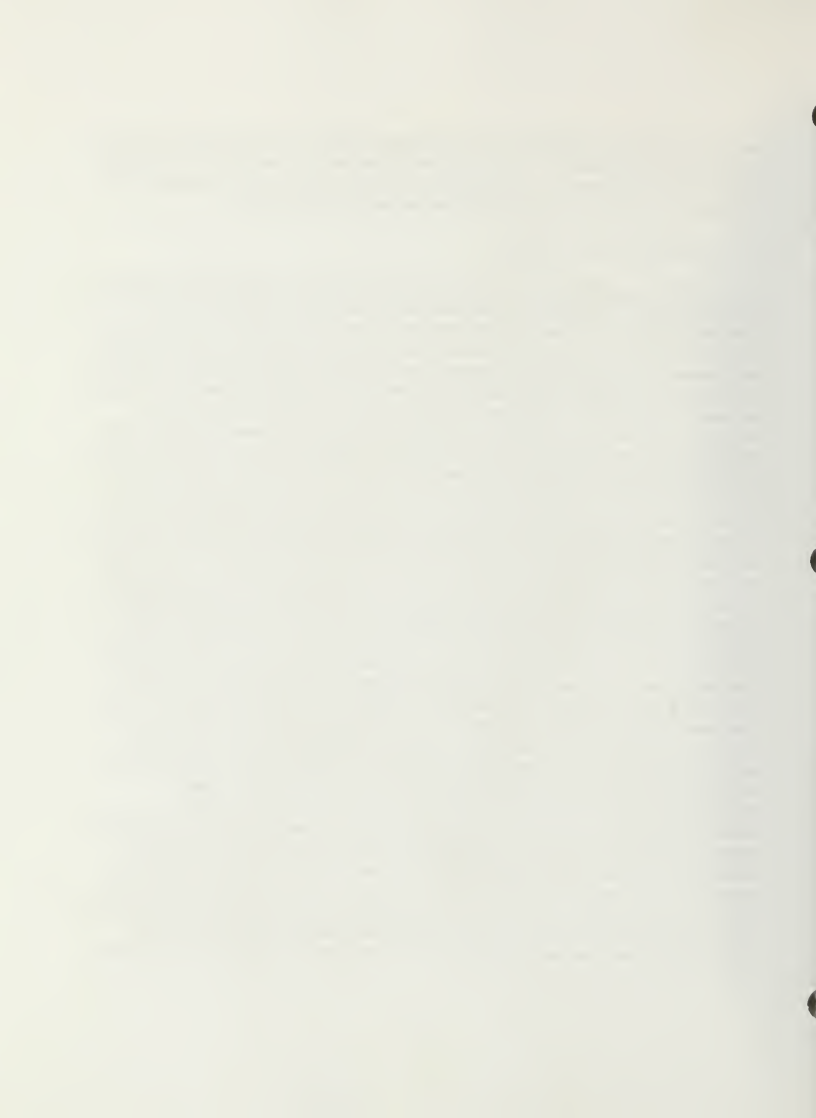
18.2. Security Deposit. Subtenant shall pay to Sublandlord upon execution of this Sublease a security deposit in the amount of Fifty Thousand Dollars (\$50,000) as security for the faithful performance of all terms, covenants and conditions of this Sublease. Subtenant agrees that Sublandlord may (but shall not be required to) apply the security deposit in whole or in part to remedy any damage to the Premises caused by Subtenant, Subtenant's Agents or Subtenant's Invitees, or any failure of Subtenant to perform any other terms, covenants or conditions contained in this Sublease, without waiving any of Sublandlord's other rights and remedies hereunder or at Law or in equity. Should Sublandlord use any portion of the security deposit to cure any Event of Default by Subtenant hereunder, Subtenant shall immediately replenish the security deposit to the original amount, and Subtenant's failure to do so within five (5) days of Sublandlord's notice shall constitute a material Event of Default under this Sublease. Sublandlord's obligations with respect to the security deposit are solely that of debtor and not trustee. Sublandlord shall not be required to keep the security deposit separate from its general funds, and Subtenant shall not be entitled to any interest on such deposit. The amount of the



security deposit shall not be deemed to limit Subtenant's liability for the performance of any of its obligations under this Sublease. To the extent that Sublandlord is not entitled to retain or apply the security deposit pursuant to this Section 18.2, Sublandlord shall return such security deposit to Sublandlord within forty-five (45) days of the termination of this Sublease.

19. HAZARDOUS MATERIALS

19.1. No Hazardous Materials. Except as specifically set forth on Exhibit I (the "Approved Hazardous Materials"), Subtenant covenants and agrees that neither Subtenant nor any of Subtenant's Agents or Subtenant's Invitees shall cause or permit any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment, including, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended, (42 U.S.C. Sections 9601 et seq.) or pursuant to Section 25281 of the California Health & Safety Code; any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of any existing improvements on the Premises, or are naturally occurring substances on, in or about the Premises; and petroleum, including crude oil or any fraction thereof, and natural gas or natural gas liquids ("Hazardous Material") to be brought upon, kept, used, stored, generated or disposed of in, on or about the Premises or transported to or from the Premises without the prior written approval of Sublandlord, which approval may be withheld in Sublandlord's sole and absolute discretion. Subtenant shall immediately notify Sublandlord if and when Subtenant learns or has reason to believe there has been any release of Hazardous Material in, on or about the Premises. Sublandlord may from time to time request Subtenant to provide adequate information for Sublandlord to determine that any Hazardous Material permitted hereunder is being handled in compliance with all applicable federal, state or local Laws or policies relating to Hazardous Material (including, without limitation, its use, handling, transportation, production, disposal, discharge or storage) or to human health and safety, industrial hygiene or environmental conditions in, on, under or about the Premises and any other property, including, without limitation, soil, air and groundwater conditions ("Environmental Laws"), and Subtenant shall promptly provide all such information. Sublandlord and Sublandlord's Agents shall have the right to inspect the Premises for Hazardous Material and compliance with the provisions hereof at all reasonable times upon reasonable advance oral or written notice to Subtenant (except in the event of an emergency). Subtenant agrees that it shall comply, without limiting the foregoing, with the provisions of Article 21 of the San Francisco Health Code including, without limitation, regarding obtaining and complying with the requirements of an approved hazardous materials management plan, and with the requirements of the environmental protection provisions provided for in Section 13 of the Master Lease.

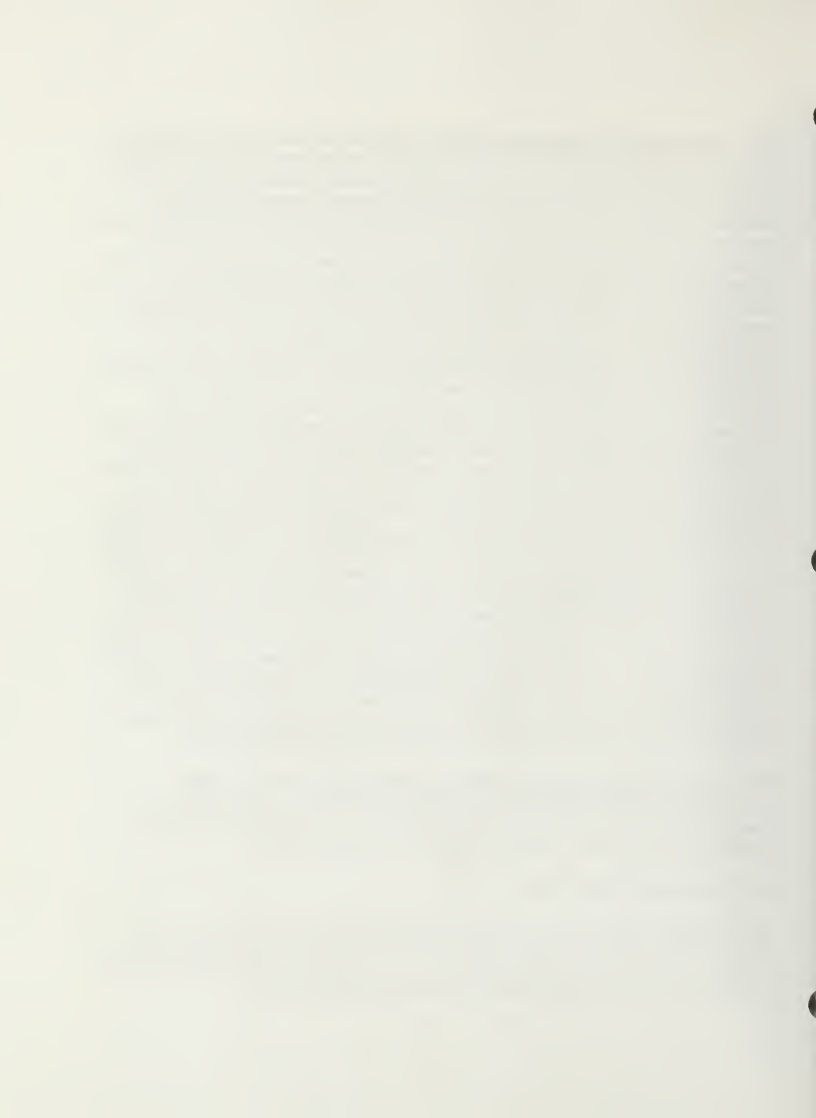


19.2. Subtenant's Environmental Indemnity. If Subtenant breaches any of its obligations contained in Section 19.1 above, or, if any act or omission or negligence of Subtenant or any of Subtenant's Agents or Subtenant's Invitees results in any spilling, leaking, pumping, pouring, emitting, discharging, injecting, escaping, leeching or dumping ("Release") of Hazardous Material in, on, under or about the Premises or the Property, without limiting Subtenant's general Indemnity contained in Section 15.2 above, Subtenant, on behalf of itself and Subtenant's Agents, shall Indemnify the Indemnified Parties, and each of them, from and against all any and all enforcement, investigation, remediation or other governmental or regulatory actions, agreements or orders threatened, instituted or completed pursuant to any Environmental Laws together with any and all Losses made or threatened by any third party against Sublandlord, Sublandlord's Agents, or the Premises, relating to damage, contribution, cost recovery compensation, loss or injury resulting from the presence, Release or discharge of any Hazardous Materials, including, without limitation, Losses based in common law, investigation and remediation costs, fines, natural resource damages, damages for decrease in value of the Premises, the loss or restriction of the use or any amenity of the Premises and attorneys' fees and consultants' fees and experts' fees and costs ("Hazardous Materials Claims") arising during or after the Term of this Sublease and relating to such Release. The foregoing Indemnity includes, without limitation, all costs associated with the investigation and remediation of Hazardous Material and with the restoration of the Premises or the Property to its prior condition including, without limitation, fines and penalties imposed by regulatory agencies, natural resource damages and losses, and revegetation of the Premises or other Sublandlord property. Without limiting the foregoing, if Subtenant or any of Subtenant's Agents or Subtenant's Invitees, causes or permits the Release of any Hazardous Materials in, on, under or about the Premises or the Property, Subtenant shall, immediately, at no expense to Sublandlord, take any and all appropriate actions to return the Premises or other Sublandlord property affected thereby to the condition existing prior to such Release and otherwise investigate and remediate the Release in accordance with all Environmental Laws. Subtenant shall provide Sublandlord with written notice of and afford Sublandlord a full opportunity to participate in any discussions with governmental regulatory agencies regarding any settlement agreement, cleanup or abatement agreement, consent decree, permit, approvals, or other compromise or proceeding involving Hazardous Material.

19.3. Acknowledgment of Receipt of EBS and FOSL Reports. Subtenant hereby acknowledges for itself and Subtenant's Agents that, prior to the execution of this Sublease, it has received and reviewed the Environmental Baseline Survey ("EBS") and the Finding of Suitability to Lease ("FOSL") described in Section 7 of the Master Lease.

20. GENERAL PROVISIONS

20.1. Notices. Except as otherwise expressly provided in this Sublease, any notice given hereunder shall be effective only in writing and given by delivering the notice in person, or by sending it first class mail or certified mail with a return receipt requested or reliable commercial overnight courier, return receipt requested, with postage prepaid as follows:



Notice Address of Sublandlord

Treasure Island Development Authority
Treasure Island Project Office
401 Palm Avenue
Building 1, Room 237
Treasure Island
Attn: Executive Director
Fax No.: 415-274-0662

with a copy to:

Office of the City Attorney
City Hall, Second Floor
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102
Attn: Michael S. Cohen
Fax No.: (415) 554-4755

Notice Address of Subtenant:

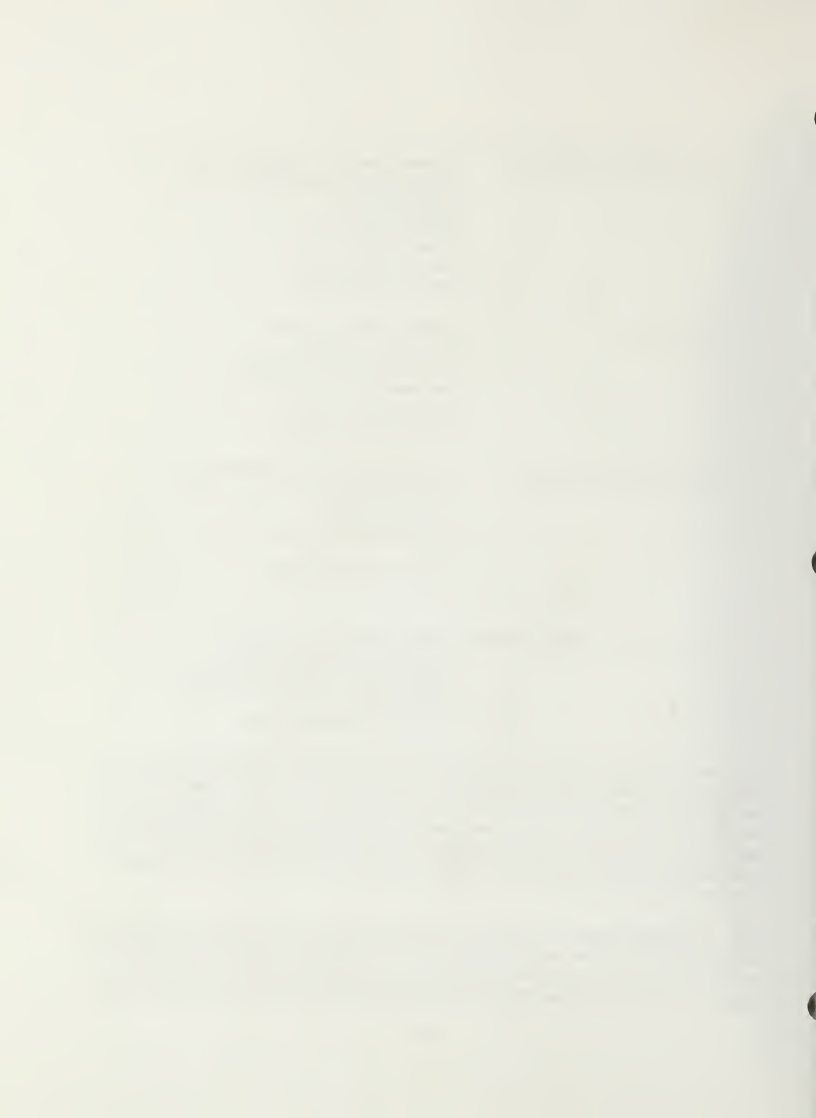
California Engineering Contractors, Inc.
100 Navy Circle
Yerba Buena Island
San Francisco, CA 94130
Attn: _____
Fax No.: (415) 968-9700

Notice Address of Master Landlord:

Commanding Officer (Code 24)
Engineering Field Activity West
Naval Facilities Engineering Command
900 Commodore Drive
San Bruno, California 94066

Any Party hereunder may designate a new address for notice purposes hereunder at least ten (10) days prior to the effective date of such change. Any notice hereunder shall be deemed to have been given two (2) days after the date when it is mailed if sent by first class or certified mail, one day after the date it is made, if sent by commercial overnight carrier, or upon the date personal delivery is made, and any refusal by either Party to accept the attempted delivery of any notice, if such attempted delivery is in compliance with this Section 20.1 and applicable Laws, shall be deemed receipt of such notice.

20.2. No Implied Waiver. No failure by Sublandlord to insist upon the strict performance of any obligation of Subtenant under this Sublease or to exercise any right, power or remedy arising out of a breach thereof, irrespective of the length of time for which such failure continues, no acceptance of full or partial payment for any sums due hereunder during the continuance of any



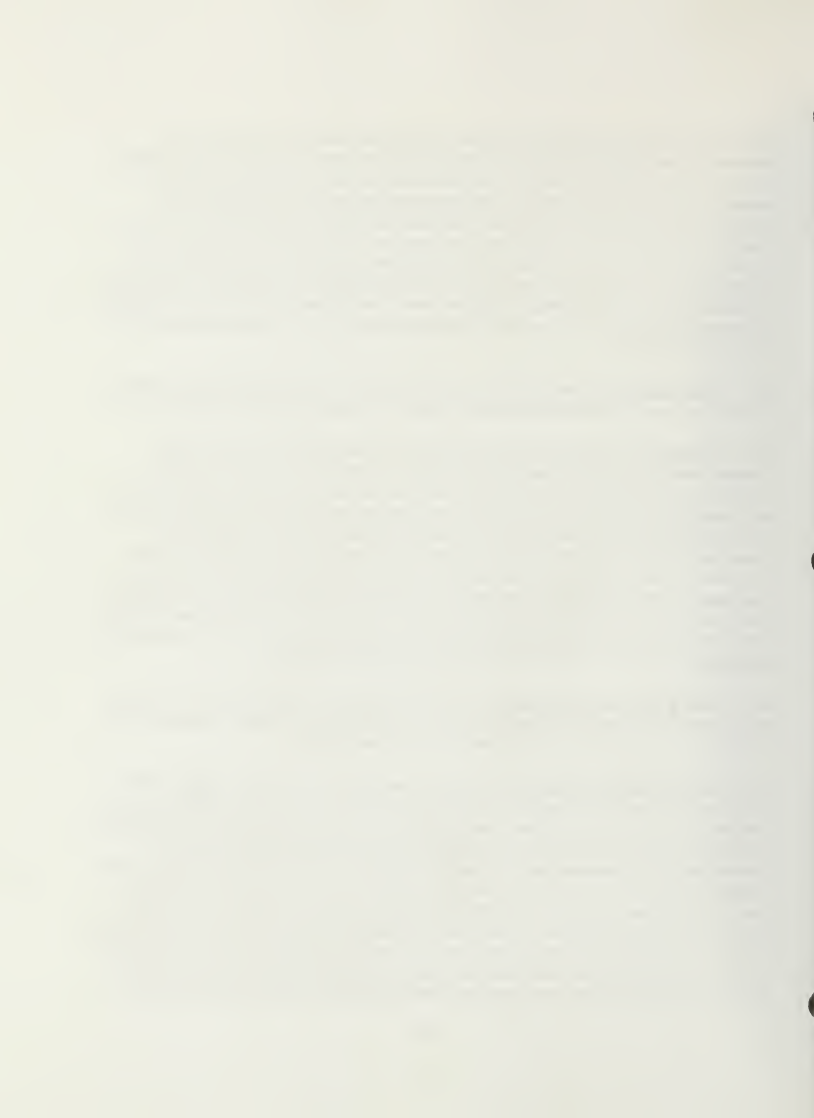
such breach, and no acceptance of the keys to or possession of the Premises prior to the expiration of the Term by any Agent of Sublandlord, shall constitute a waiver of such breach or of Sublandlord's right to demand strict compliance with such term, covenant or condition or operate as a surrender of this Sublease. No express written waiver of any default or the performance of any provision hereof shall affect any other default or performance, or cover any other period of time, other than the default, performance or period of time specified in such express waiver. One or more written waivers of a default or the performance of any provision hereof shall not be deemed to be a waiver of a subsequent default or performance. The consent of Sublandlord given in any instance under the terms of this Sublease shall not relieve Subtenant of any obligation to secure the consent of Sublandlord in any other or future instance under the terms of this Sublease.

20.3. Amendments. Neither this Sublease nor any term or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the Parties hereto.

20.4. Authority. If Subtenant signs as a corporation, a partnership or a limited liability company, each of the persons executing this Sublease on behalf of Subtenant does hereby covenant and warrant that Subtenant is a duly authorized and existing entity, that Subtenant has and is qualified to do business in California, that Subtenant has full right and authority to enter into this Sublease, and that each and all of the persons signing on behalf of Subtenant are authorized to do so. Upon Sublandlord's request, Subtenant shall provide Sublandlord with evidence reasonably satisfactory to Sublandlord confirming the foregoing representations and warranties. Without limiting the generality of the foregoing, Subtenant represents and warrants that it has full power to make the waivers and releases, indemnities and the disclosure set forth herein, and that it has received independent legal advice from its attorney as to the advisability of entering into a sublease containing those provisions and their legal effect.

20.5. Joint and Several Obligations. The word "Subtenant" as used herein shall include the plural as well as the singular. If there is more than one Subtenant, the obligations and liabilities under this Sublease imposed on Subtenant shall be joint and several.

20.6. Interpretation of Sublease. The captions preceding the articles and sections of this Sublease and in the table of contents have been inserted for convenience of reference only and such captions shall in no way define or limit the scope or intent of any provision of this Sublease. This Sublease has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein and shall be interpreted to achieve the intents and purposes of the Parties, without any presumption against the party responsible for drafting any part of this Sublease. Provisions in this Sublease relating to number of days shall be calendar days, unless otherwise specified, provided that if the last day of any period to give notice, reply to a notice or to undertake any other action occurs on a Saturday, Sunday or a bank or Sublandlord holiday, then the last day for undertaking the action or giving or replying to the notice shall be the next succeeding business day. Use of the word "including" or similar words shall not be



construed to limit any general term, statement or other matter in this Sublease, whether or not language of non-limitation, such as "without limitation" or similar words, are used. Unless otherwise provided herein, whenever the consent of Sublandlord is required to be obtained by Subtenant hereunder, Sublandlord may give or withhold such consent in its sole and absolute discretion.

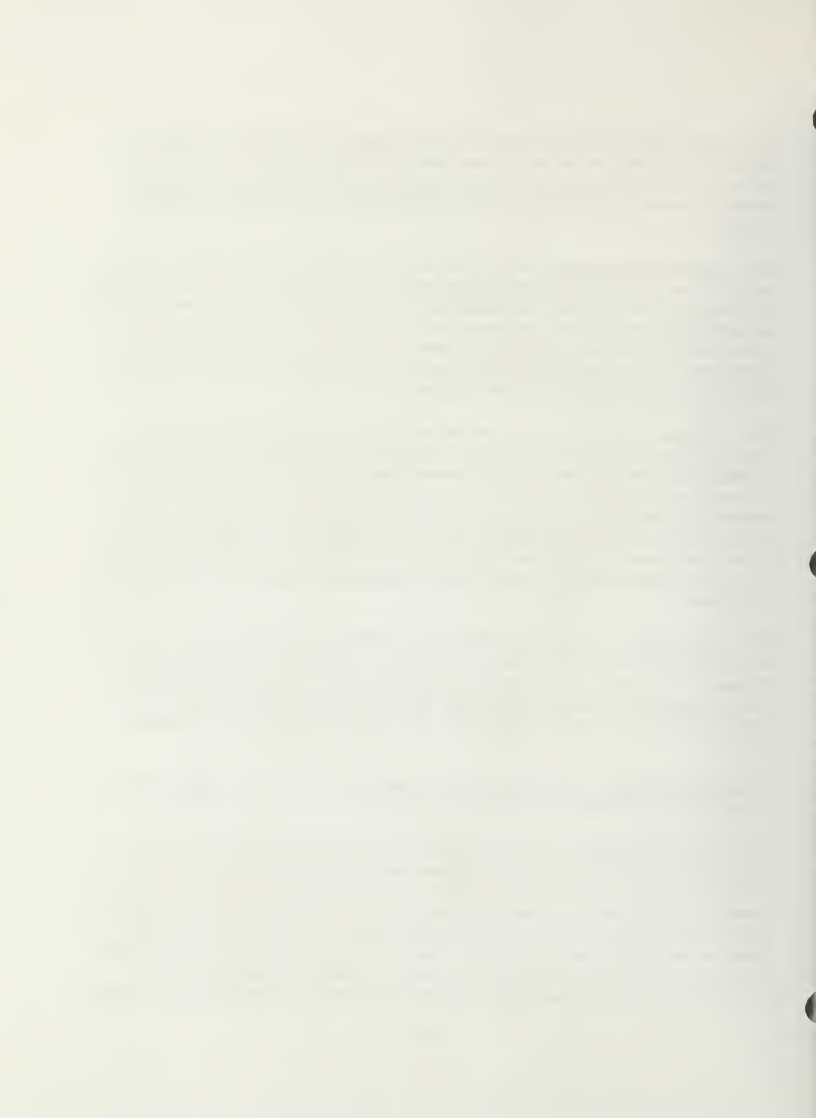
20.7. Successors and Assigns. Subject to the provisions of Section 13, the terms, covenants and conditions contained in this Sublease shall bind and inure to the benefit of Sublandlord and Subtenant and, except as otherwise provided herein, their personal representatives and successors and assigns; provided, however, that upon any transfer by Sublandlord (or by any subsequent Sublandlord) of its interest in the Premises as lessee, including any transfer by operation of Law, Sublandlord (or any subsequent Sublandlord) shall be relieved from all subsequent obligations and liabilities arising under this Sublease subsequent to such transfer.

20.8. Brokers. Neither party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the Sublease contemplated herein. In the event that any broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes a claim shall be responsible for such commission or fee and shall Indemnify the other party from any and all Losses incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Sublease.

20.9. Severability. If any provision of this Sublease or the application thereof to any person, entity or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Sublease, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Sublease shall be valid and be enforceable to the fullest extent permitted by Law.

20.10. Governing Law. This Sublease shall be construed and enforced in accordance with the Laws of the State of California and the federal government.

20.11. Entire Agreement. This instrument (including the exhibits hereto, which are made a part of this Sublease) contains the entire agreement between the Parties and supersedes all prior written or oral negotiations, discussions, understandings and agreements. The Parties further intend that this Sublease shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including prior drafts of this Sublease and any changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Sublease. Subtenant hereby acknowledges that neither Sublandlord nor Sublandlord's Agents have made any representations or warranties with respect to the Premises or this Sublease



except as expressly set forth herein, and no rights, easements or licenses are or shall be acquired by Subtenant by implication or otherwise unless expressly set forth herein. Notwithstanding the foregoing, the Parties shall make a good faith effort to negotiate mutually acceptable changes to this Sublease, if any, within ninety (90) days of the date hereof, provided however, that such changes, if any, shall be subject to the approval of the Master Landlord.

20.12. Attorneys' Fees. In the event that either Sublandlord or Subtenant fails to perform any of its obligations under this Sublease or in the event a dispute arises concerning the meaning or interpretation of any provision of this Sublease, the defaulting party or the party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party in enforcing or establishing its rights hereunder (whether or not such action is prosecuted to judgment), including, without limitation, court costs and reasonable attorneys' fees.

20.13. Time of Essence. Time is of the essence with respect to all provisions of this Sublease in which a definite time for performance is specified.

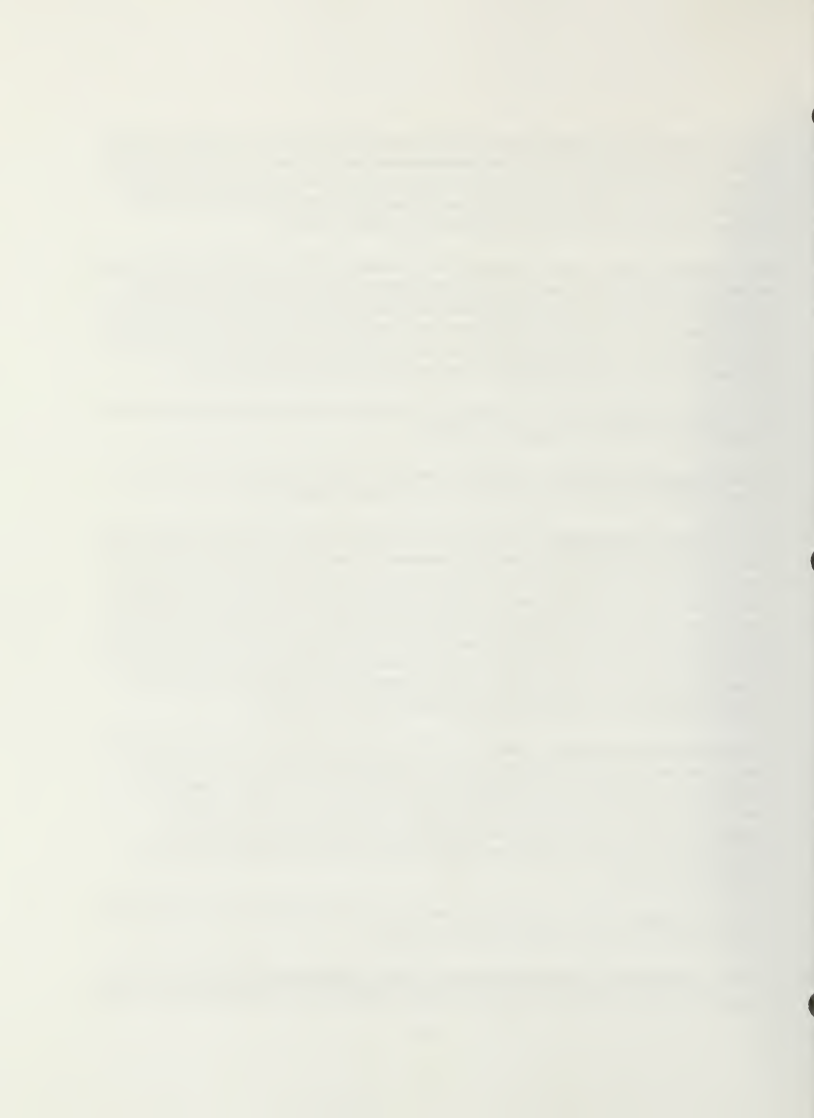
20.14. Cumulative Remedies. All rights and remedies of either party hereto set forth in this Sublease shall be cumulative, except as may otherwise be provided herein.

20.15. Survival of Indemnities. Termination of this Sublease shall not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the other party under this Sublease, nor shall it affect any provision of this Sublease that expressly states it shall survive termination hereof. Subtenant specifically acknowledges and agrees that, with respect to each of the indemnities contained in this Sublease, Subtenant has an immediate and independent obligation to defend Sublandlord and the other Indemnified Parties from any claim which actually or potentially falls within the indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to Subtenant by Sublandlord and continues at all times thereafter.

20.16. Relationship of Parties. Sublandlord is not, and none of the provisions in this Sublease shall be deemed to render Sublandlord, a partner in Subtenant's business, or joint venturer or member in any joint enterprise with Subtenant. This Sublease is not intended nor shall it be construed to create any third party beneficiary rights in any third party, unless otherwise expressly provided. The granting of this Sublease by Sublandlord does not constitute authorization or approval by Sublandlord of any activity conducted by Subtenant on, in or relating to the Premises.

20.17. Recording. Subtenant agrees that it shall not record this Sublease nor any memorandum or short form hereof in the official records of any county.

20.18. Non-Liability of Indemnified Parties' Officials, Employees and Agents. No elective or appointive board, commission, member, officer or employee of any of the Indemnified Parties



shall be personally liable to Subtenant, its successors and assigns, in the event of any default or breach by Sublandlord or for any amount which may become due to Subtenant, its successors and assigns, or for any obligation of Sublandlord under this Agreement.

20.19. No Discrimination. Subtenant shall comply with the non-discrimination provisions of Section 19.1 of the Master Lease, including, without limitation, posting all notices required therein.

20.20. Counterparts. This Sublease may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

20.21. Master Landlord's Consent. This Sublease is expressly conditioned upon receipt of the written consent of Master Landlord

21. SPECIAL PROVISIONS

21.1. Signs. Subtenant agrees that it will not erect or maintain, or permit to be erected or maintained, any signs, notices or graphics upon or about the Premises which are visible in or from public corridors or other portions of any common areas of the Premises or from the exterior of the Premises, without Sublandlord's prior written consent, which Sublandlord may withhold or grant in its sole discretion.

21.2. Public Transit Information. Subtenant shall establish and carry on during the Term a program to encourage maximum use of public transportation by personnel of Subtenant employed on the Premises, including, without limitation, the distribution to such employees of written materials explaining the convenience and availability of public transportation facilities adjacent or proximate to the Premises and encouraging use of such facilities, all at Subtenant's sole expense.

21.3. Non-Discrimination.

(a) **Covenant Not to Discriminate.** In the performance of this Sublease, Subtenant covenants and agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status) against any employee of, any City employee working with, or applicant for employment with, Subtenant in any of Subtenant's operations within the United States, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by Subtenant.



(b) Subleases and Other Subcontracts. Subtenant shall include in all Subleases and other subcontracts relating to the Premises a non-discrimination clause applicable to such Subtenant or other subcontractor in substantially the form of subsection (a) above. In addition, Subtenant shall incorporate by reference in all subleases and other subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require all Subtenants and other subcontractors to comply with such provisions. Subtenant's failure to comply with the obligations in this subsection shall constitute a material breach of this Sublease.

(c) Non-Discrimination in Benefits. Subtenant does not as of the date of this Sublease and will not during the Term, in any of its operations in San Francisco or where the work is being performed for the City or elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(d) HRC Form. Subtenant shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission (the "HRC").

(e) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the lease of City property are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Subtenant shall comply fully with and be bound by all of the provisions that apply to this Sublease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Subtenant understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Sublease may be assessed against Subtenant and/or deducted from any payments due Subtenant.

21.4. No Relocation Assistance; Waiver of Claims. Subtenant acknowledges that it will not be a displaced person at the time this Sublease is terminated or expires by its own terms, and Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all Claims against, and covenants not to sue, Sublandlord, its departments, commissions, officers, directors and employees, and all persons acting by, through or under each of them, under any laws, including, without limitation, any and all claims for relocation benefits or assistance from Sublandlord

under federal and state relocation assistance laws (including, but not limited to, California Government Code Section 7260, et seq.), except as otherwise specifically provided in this Sublease with respect to a Taking.

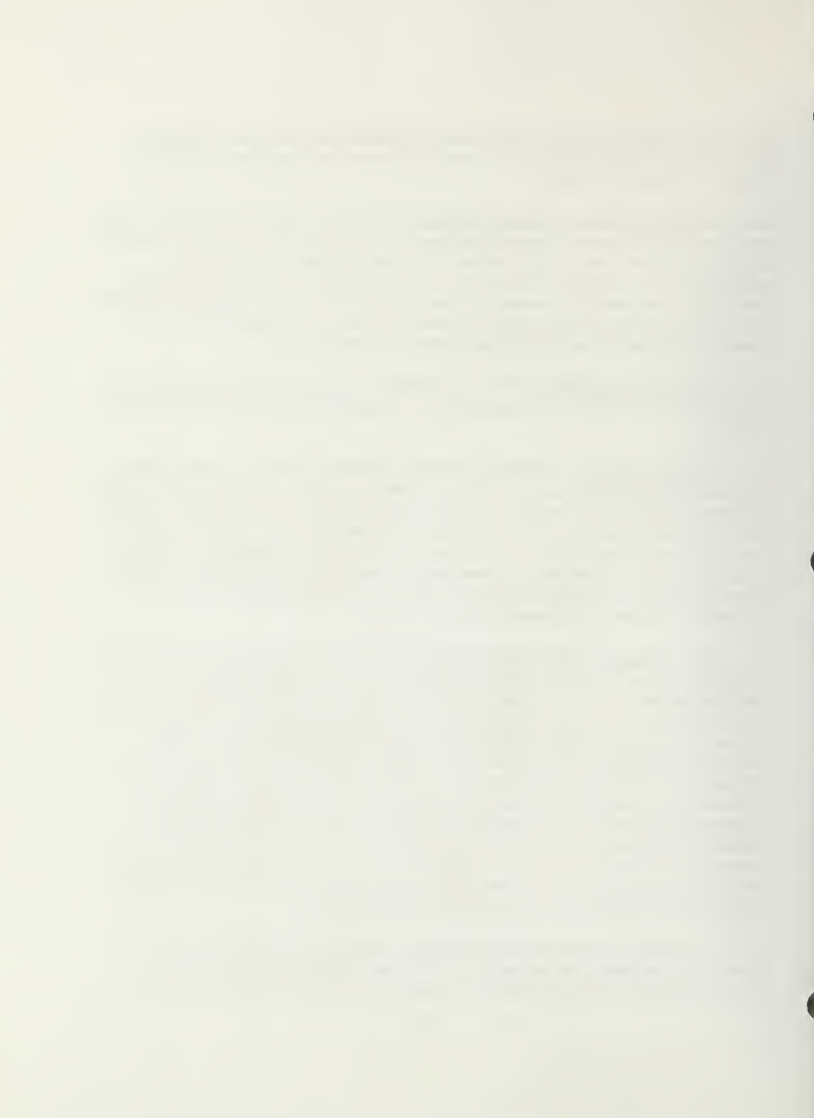
21.5. MacBride Principles - Northern Ireland. The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, et seq. The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Subtenant acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

21.6. Tropical Hardwood Ban. The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product.

21.7. Conflicts of Interest. Subtenant states that it is familiar with the provisions of Section 8.105 and 8.106 of the San Francisco Charter and certifies that it knows of no facts which would constitute a violation of such provisions. Subtenant further certifies that it has made a complete disclosure to the Sublandlord of all facts bearing on any possible interests, direct or indirect, which Subtenant believes any officer or employee of the Sublandlord presently has or will have in this Sublease or in the performance thereof or in any portion of the profits thereof. Willful failure by Subtenant to make such disclosure, if any, shall constitute grounds for the Sublandlord's termination and cancellation of this Sublease.

21.8. Burma (Myanmar) Business Prohibition. Subtenant is not the government of Burma (Myanmar), a person or business entity organized under the laws of Burma (Myanmar) or a "prohibited person or entity" as defined in Section 12J.2(G) of the San Francisco Administrative Code. Sublandlord reserves the right to terminate this Sublease for default if Subtenant violates the terms of this clause. Chapter 12J of the San Francisco Administrative Code is hereby incorporated by reference as though fully set forth herein. The failure of Subtenant to comply with any of its requirements shall be deemed a material breach of this Sublease. In the event Subtenant fails to comply in good faith with any of the provisions of Chapter 12J of the San Francisco Administrative Code, Subtenant shall be liable for liquidated damages for each violation in an amount equal to Subtenant's net profit under this Sublease, or 10% of the total amount of the Sublease, or \$1,000, whichever is greatest. Subtenant acknowledges and agrees the liquidated damages assessed shall be payable to the Sublandlord upon demand and may be setoff against any moneys due to the Subtenant from this Sublease.

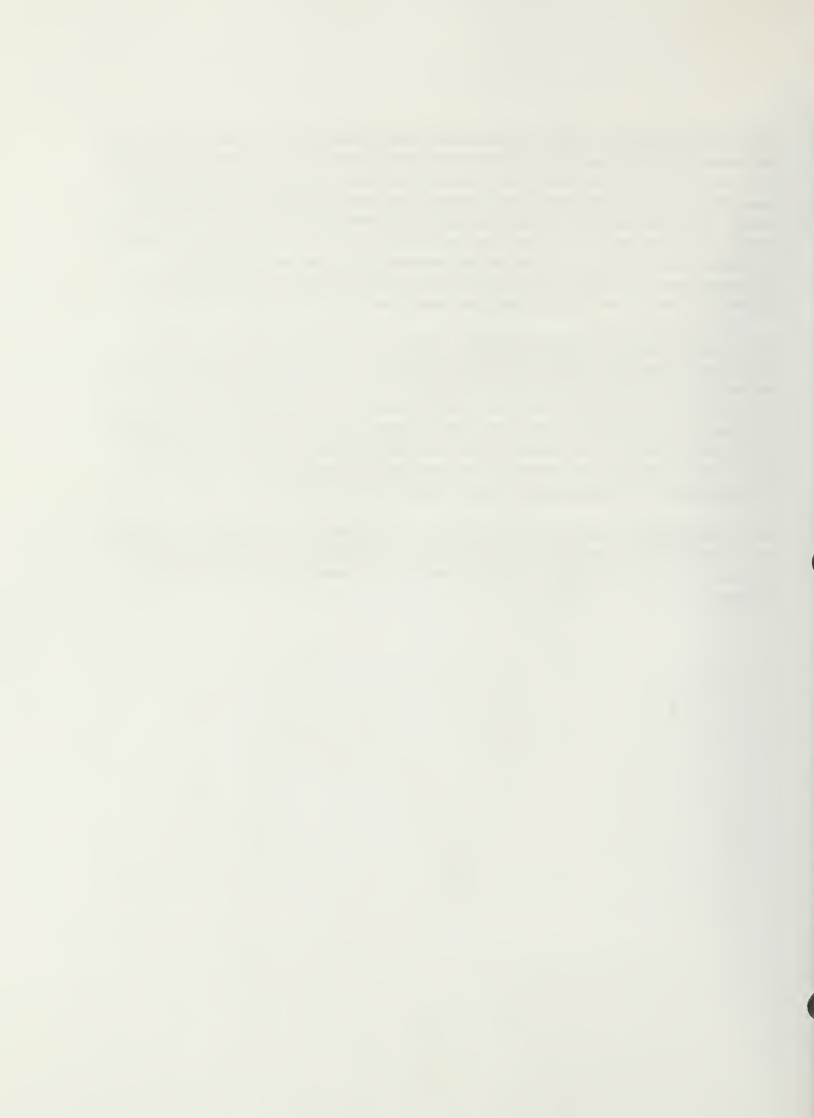
21.9. Prevailing Wages for Construction Work. Subtenant agrees that to the extent any person performing labor in the construction of the Alterations required under Section 7 [Alterations] is paid wages for such labor, such person shall be paid not less than the highest



prevailing rate of wages and that Subtenant shall include, in any contract for construction of such improvements, a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Subtenant further agrees that, as to the construction of such improvements under this Sublease, Subtenant shall comply with all the provisions of subsection (b) of San Francisco Charter Section A7.204 and Sections 6.33 through 6.45 of the San Francisco Administrative Code that relate to payment of prevailing wages. Subtenant shall require any contractor to provide, and shall deliver to Sublandlord every two weeks during any construction period, certified payroll reports with respect to all persons performing labor in the construction of any of the required alterations.

21.10. Prohibition of Tobacco Advertising. Subtenant acknowledges and agrees that no advertising of cigarettes or tobacco products is allowed on any real property owned by or under the control of the Authority or the City, including the Premises and the Property. This prohibition includes the placement of the name of a company producing selling or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. This prohibition does not apply to any advertisement sponsored by a state, local or nonprofit entity designed to communicate the health hazards of cigarettes and tobacco products or to encourage people not to smoke or to stop smoking.

21.11. Employment. Pursuant to the Workforce Hiring Agreement attached hereto as Exhibit J, the Subtenant will use best faith efforts to maintain an employment rate that includes 10% of individuals referred by the Treasure Island Homeless Development Initiative's Job Broker Program.



Sublandlord and Subtenant have executed this Sublease in triplicate as of the date first written above.

SUBTENANT:

California Engineering Contractors, Inc.
a _____ corporation

By: _____

Its: _____

SUBLANDLORD:

Treasure Island Development Authority

By: _____

Its: _____

Approved as to Form:

Deputy City Attorney



EXHIBIT A

MASTER LEASE

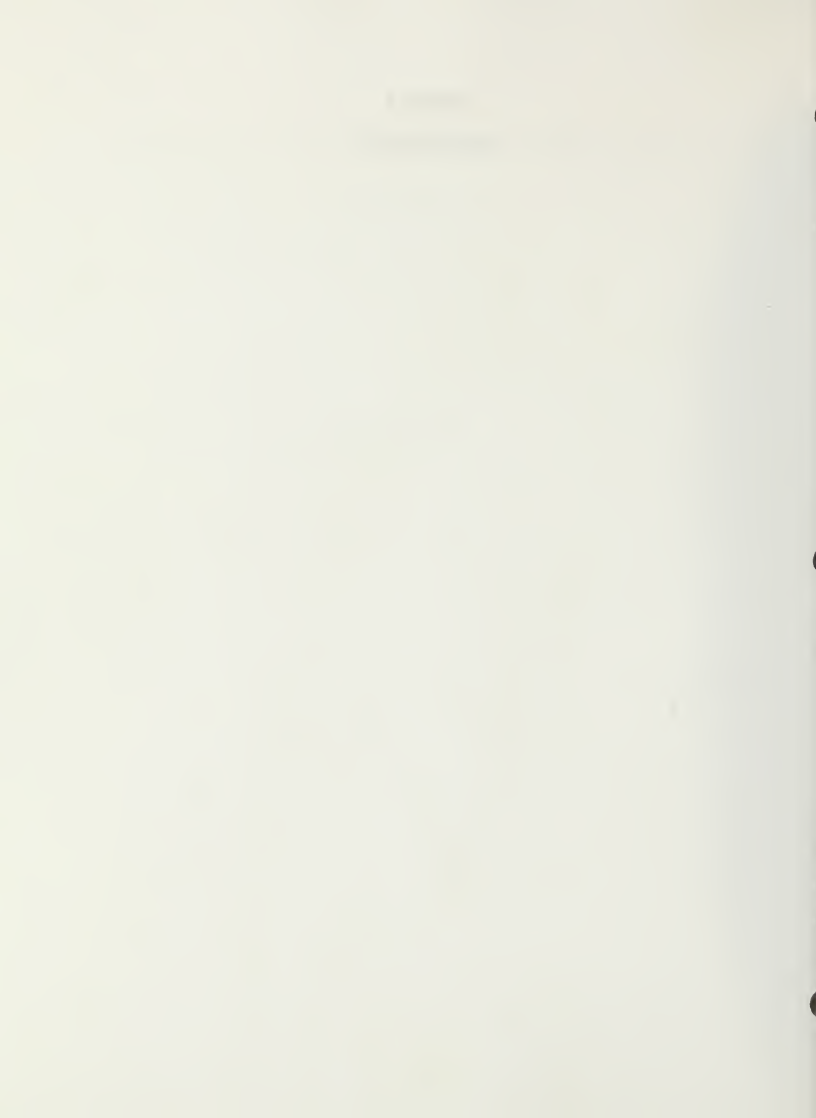


EXHIBIT B

DIAGRAM OF PREMISES

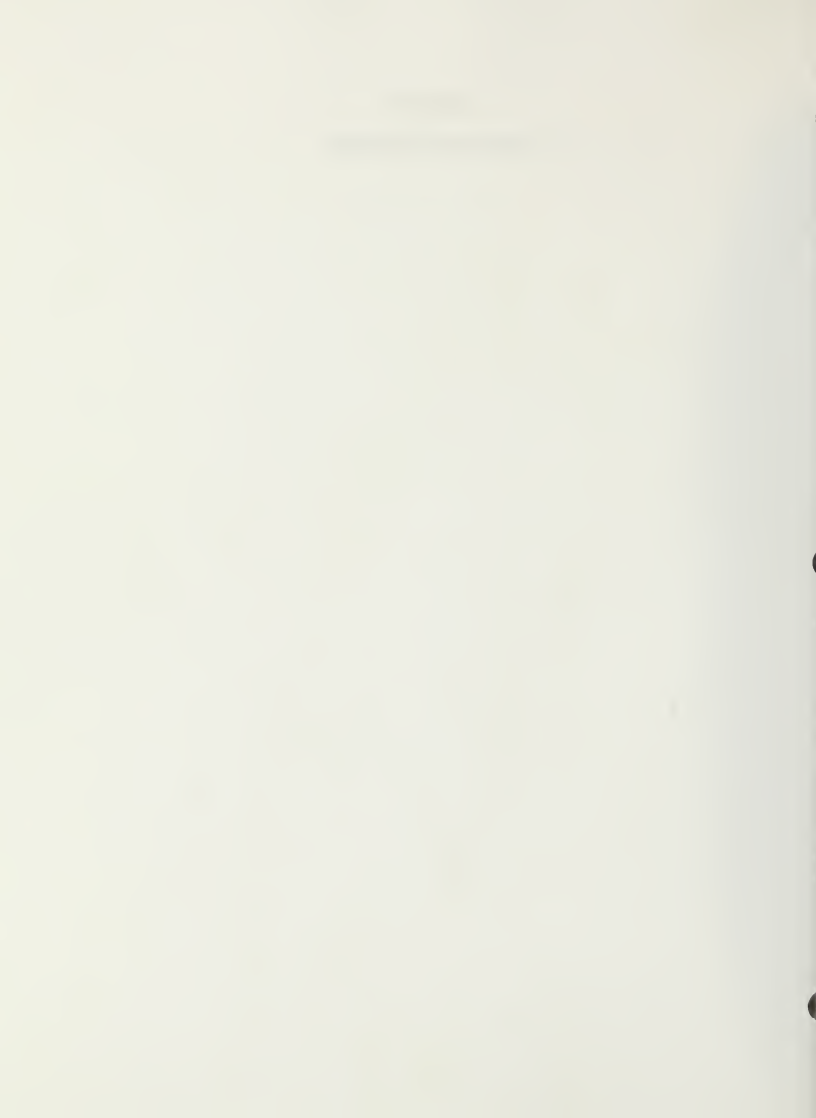


EXHIBIT C

COVER PAGE OF THE SEISMIC REPORT

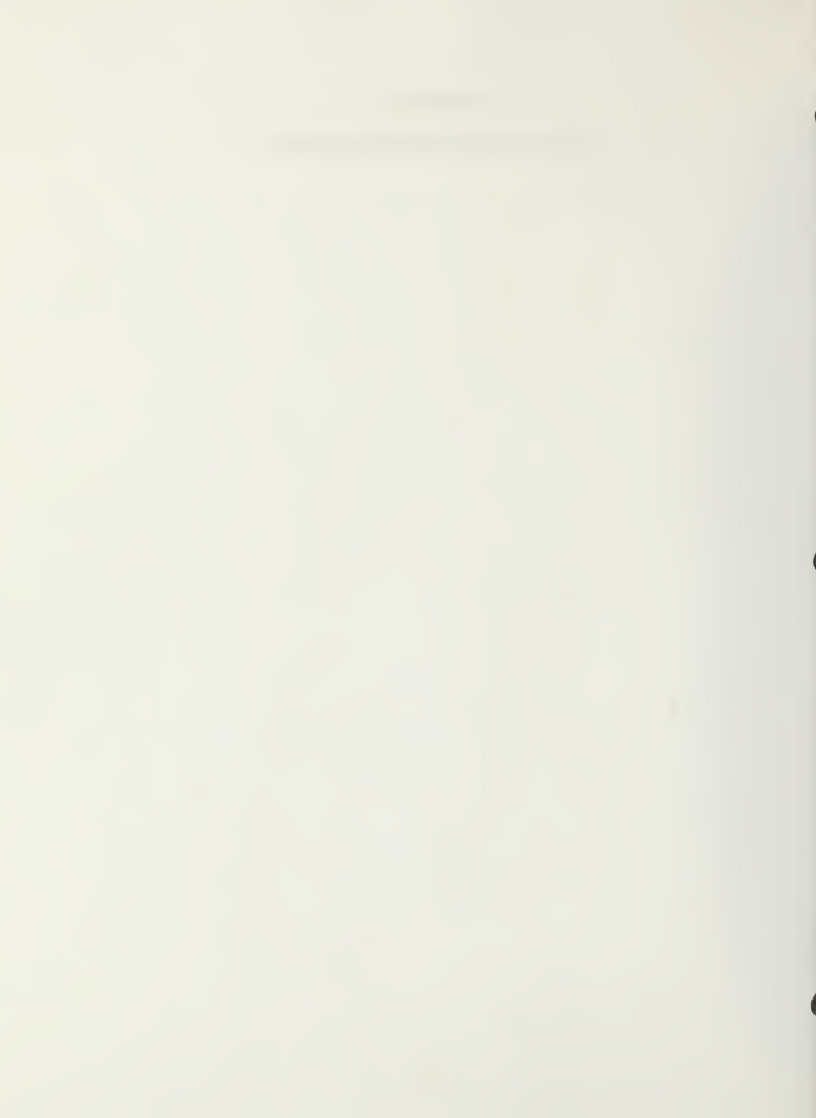


EXHIBIT D

MANAGEMENT PLAN

EXHIBIT E

ROUTE FOR TRAFFIC TO AND FROM PREMISES

EXHIBIT F

RULES AND REGULATIONS

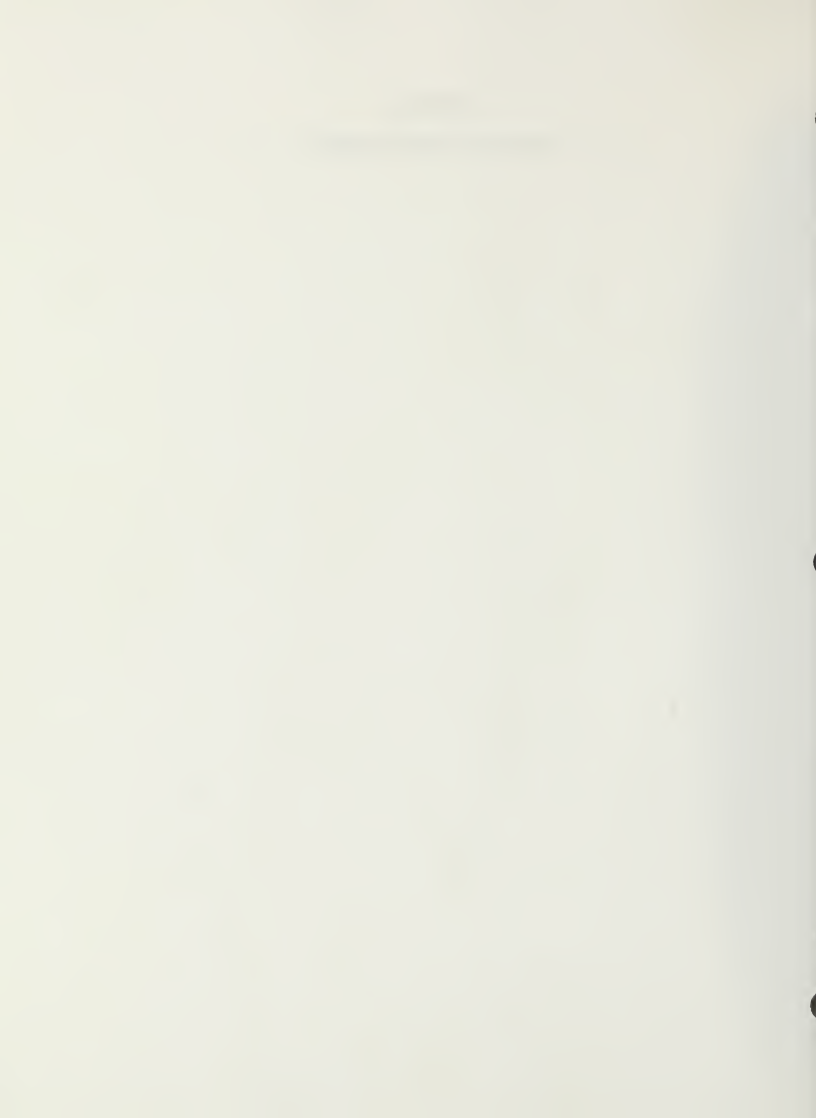


EXHIBIT G

PERMITTED IMPROVEMENTS

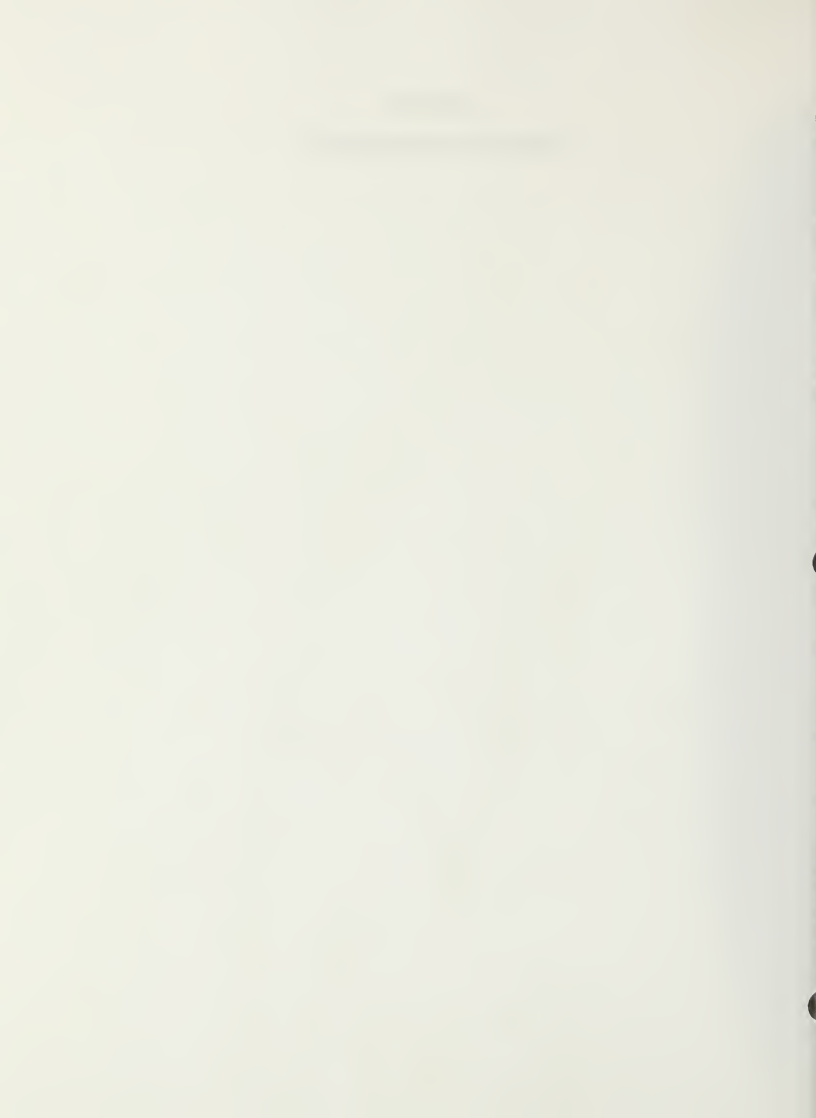


EXHIBIT H

STANDARD UTILITIES AND SERVICES AND RATES

EXHIBIT I

APPROVED HAZARDOUS MATERIALS



EXHIBIT J

WORKFORCE HIRING AGREEMENT

Notes

Notes

TREASURE ISLAND DEVELOPMENT AUTHORITY
City and County of San Francisco

Agenda Item No. 9

Meeting of January 12, 2000

Subject: Resolution authorizing the Authority to extend and amend the “Land and Structure” Master Lease with the U.S. Navy.

Contact/Phone: Annemarie Conroy, Executive Director
Daniel Hwang, Development Specialist
274-0660

SUMMARY OF PROPOSED ACTION

The staff is requesting the Authority adopt a resolution to extend and amend the “Land and Structures” Master Lease with the United States Navy to three years and to add the parcel at the corner of 13th St. and Ave. H, and the parcel bordered by Ave. H, 9th St., and 11th St. to the leased premises.

DISCUSSION

On November 19, 1998, the Treasure Island Development Authority entered into a lease agreement with the United States Navy (Lease #N6247499RP42P12), called the “Land and Structures” Master Lease. The Master Lease was executed for a one-year term, from November 19, 1998 to November 18, 1999. The leased premises included Buildings 128, 129, 130, 131, and 62 on Treasure Island. The leased premises were used for storage space for commercial tenants.

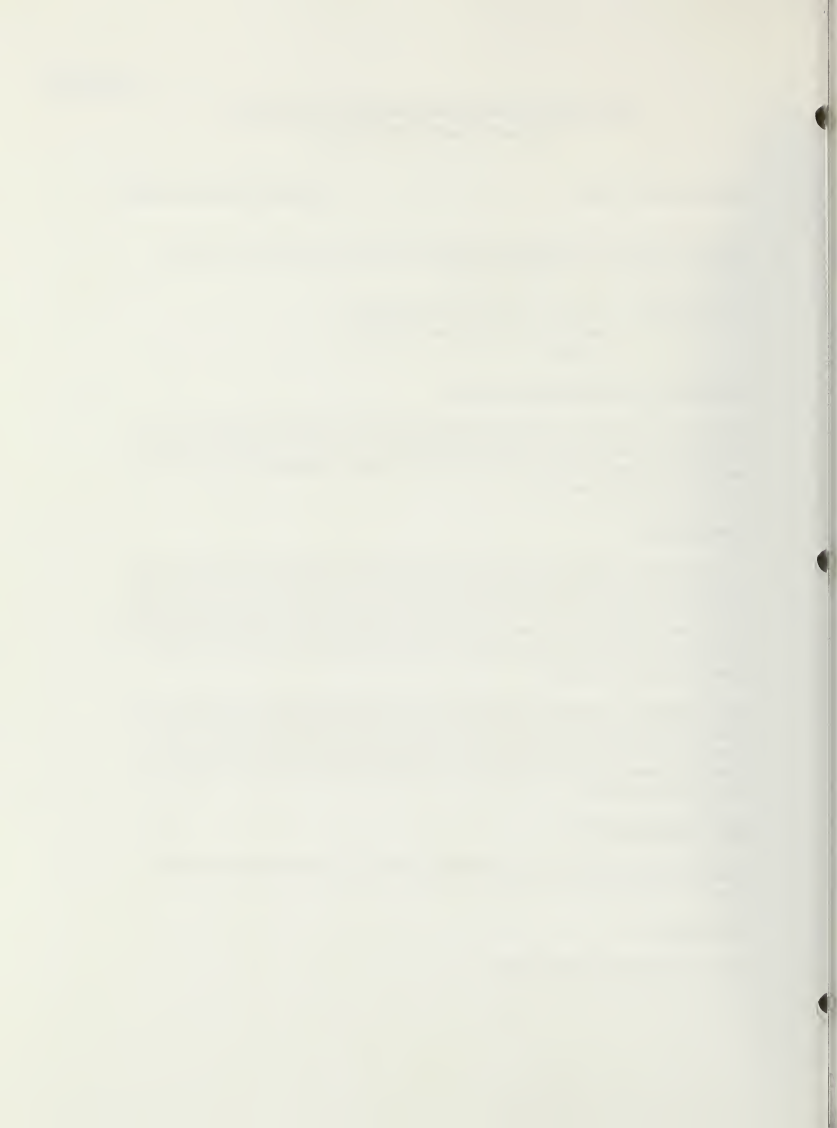
Since the Master Lease has expired, Staff is requesting authorization to extend the lease term for three years and include two new parcels to be included in the leased premises. One parcel is the block on the corner of 13th Street and Ave. H (future location for the convenient store), and the other parcel is the block bordered by Ave. H, 9th Street, and 11th Street (empty lot).

RECOMMENDATION

Staff recommends approval to extend and amend the “Land and Structures” Master Lease.

EXHIBITS

Map of Amended Leased Premises



[Amendment of Master Lease with the U.S. Navy]

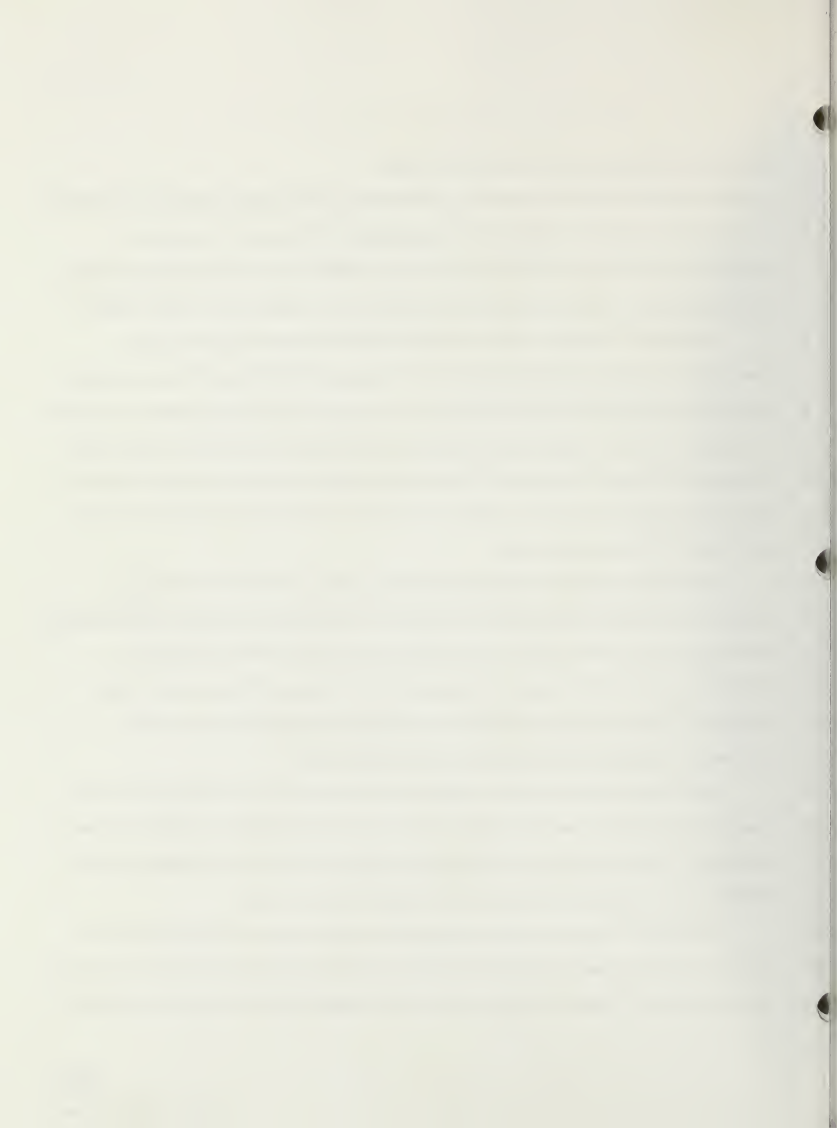
APPROVING AND AUTHORIZING THE TREASURE ISLAND DEVELOPMENT AUTHORITY TO AMEND A MASTER LEASE WITH THE UNITED STATES NAVY TO ADD TWO UNIMPROVED LOTS FOR USE AS A LAY DOWN AREA AND A CONVENIENCE STORE, RESPECTIVELY, AND TO EXTEND THE TERM OF THE LEASE FOR THREE YEARS.

WHEREAS, On May 2, 1997, the Board of Supervisors (the "Board") passed Resolution No. 380-97, authorizing the Mayor's Treasure Island Project Office to establish a nonprofit public benefit corporation known as the Treasure Island Development Authority (the "Authority") to act as a single entity focused on the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of former Naval Station Treasure Island (the "Base") for the public interest, convenience, welfare and common benefit of the inhabitants of the City and County of San Francisco; and,

WHEREAS, Under the Treasure Island Conversion Act of 1997 (the "Act"), the California legislature (i) designated the Authority as a redevelopment agency under California redevelopment law with authority over the Base upon approval of the City's Board of Supervisors, and, (ii) with respect to those portions of the Base which are subject to the Tidelands Trust, vested in the Authority the authority to administer the public trust for commerce, navigation and fisheries as to such property; and,

WHEREAS, On November 19, 1998, the Authority and The United States Navy (the "Navy") entered into a lease (the "Original Land and Structures Master Lease") for the use of Buildings 62, 128, 129, 130 and 131 for storage purposes, all as more particularly shown on Exhibit A to the Original Master Lease (the "Original Premises"); and,

WHEREAS, The Navy and the Authority now wish to amend the Original Land and Structures Master Lease to expand the Original Premises by adding thereto an unimproved lot at the corner of 13th Street and Avenue H (the "Convenience Store Lot"), and an unimproved



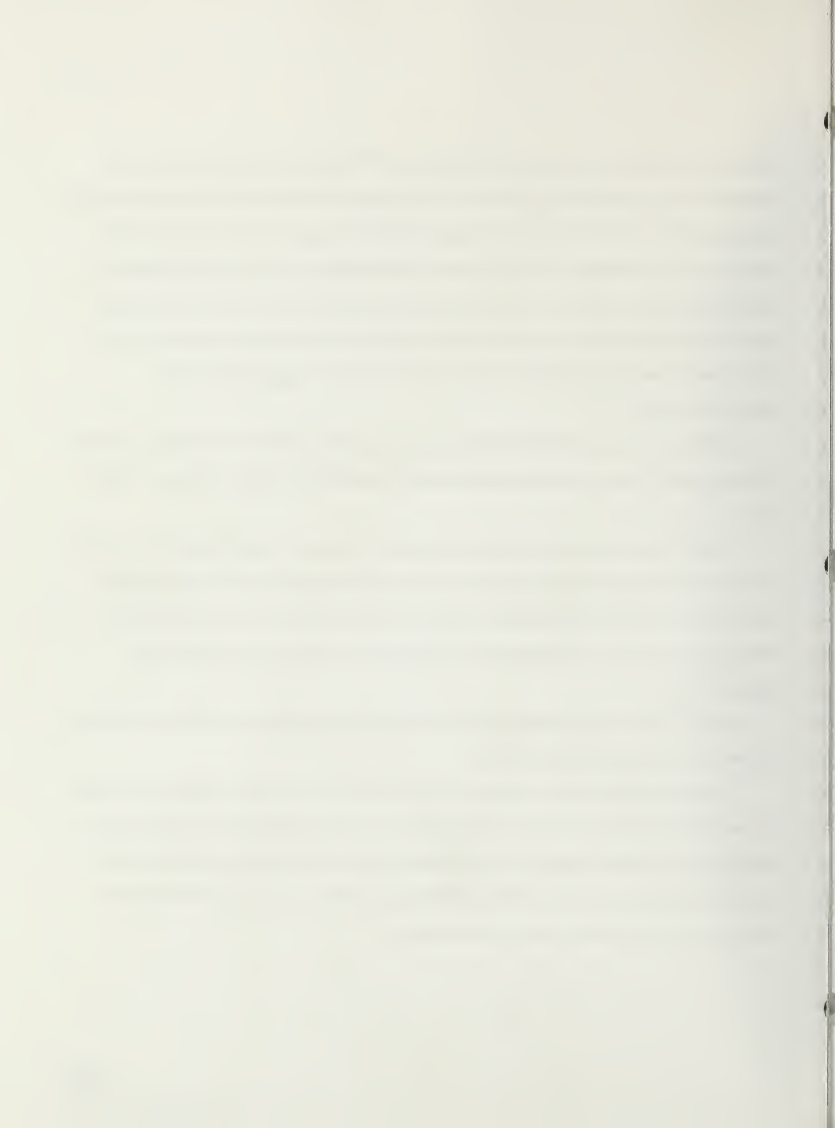
1 lot generally bordered by Avenue H, 9th Street and 11th Street (the "Lay Down Lot", and
2 together with the Convenience Store Lot, the "Expansion Premises") to allow the Authority to
3 sublease the Convenience Store Lot to Susie S. Pak Company to operate a convenience
4 store serving the residents of the Base, and to sublease the Lay Down Lot to California
5 Engineering Contractors for lay down and construction office space related to the seismic
6 retrofit of the western span of the Bay Bridge, pursuant to the terms and conditions of that
7 certain First Amendment to Master Lease attached hereto as Exhibit A (the "First
8 Amendment"); and,

9 WHEREAS, Under the First Amendment, the expiration date of the Original Land and
10 Structures Master Lease would be extended from November 18, 1999 to January 1, 2003;
11 and

12 WHEREAS, Other than adding the Expansion Premises to the Original Premises (and
13 a corresponding change in the amount of the Navy CAM Charge that is due and payable
14 thereunder) and extending the term to January 1, 2003, the terms and conditions of the
15 Original Land and Structures Master Lease shall remain in full force and effect; Now,
16 therefore, be it

17 RESOLVED, That the Authority hereby approves and authorizes the Executive Director
18 to enter in the First Amendment and, be it

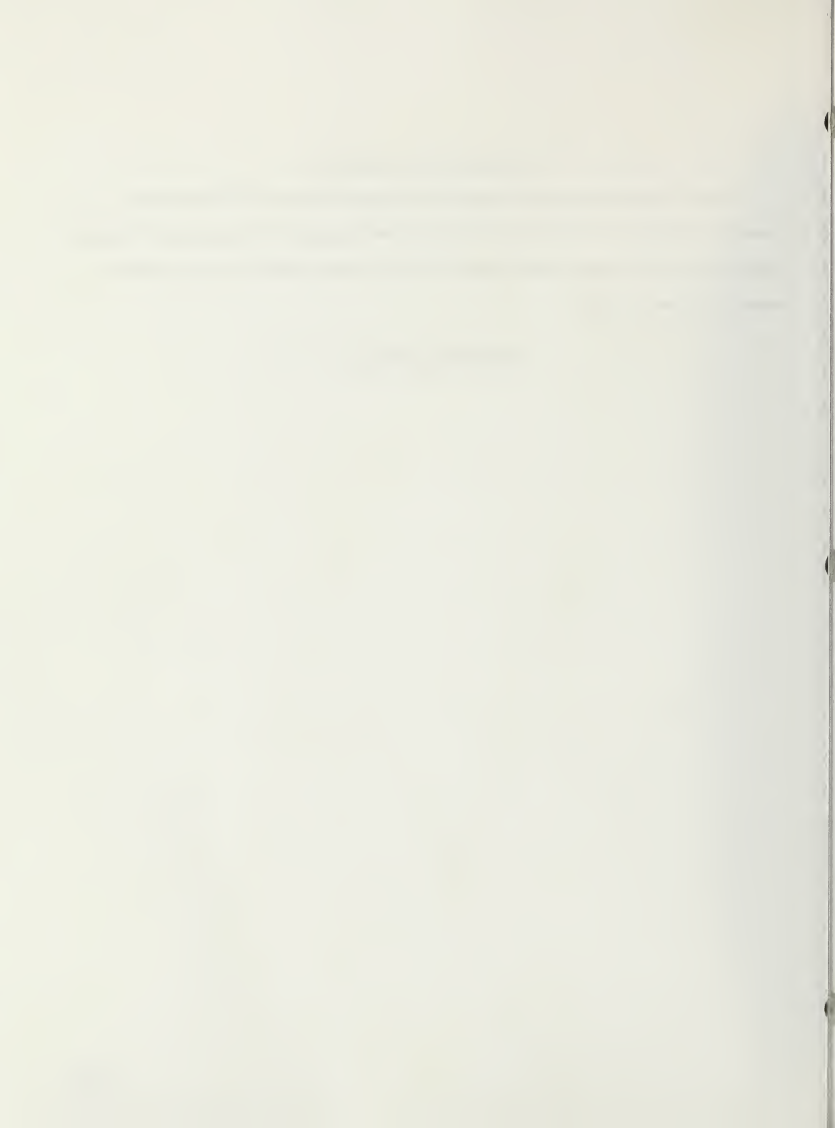
19 FURTHER RESOLVED, That the Authority authorizes the Executive Director to enter
20 into modifications to the First Amendment (including, without limitation, the attachment or
21 modification of exhibits) that are in the best interests of the Authority and the City, do not
22 materially change the terms of the First Amendment, and are necessary and advisable to
23 effectuate the purpose and intent of this resolution.
24
25



CERTIFICATE OF SECRETARY

I hereby certify that I am the duly elected and acting Secretary of the Treasure Island Development Authority, a California nonprofit public benefit corporation, and that the above Resolution was duly adopted and approved by the Board of Directors of the Authority at a properly noticed meeting on January 12, 2000.

John Elberling, Secretary



**FOURTH AMENDMENT
TO LEASE AGREEMENT N6247499RP42P12
BETWEEN
THE UNITED STATES OF AMERICA
AND
TREASURE ISLAND DEVELOPMENT AUTHORITY**

THIS LEASE AMENDMENT made this ____ day of _____ 1999, by and between the UNITED STATES OF AMERICA, acting by and through the Department of the Navy, hereinafter called the "Government", and the TREASURE ISLAND DEVELOPMENT AUTHORITY, hereinafter called the "Lessee";

WHEREAS, the parties hereto, as of 19 November 1998, entered into Lease Agreement N6247499RP42P12 under the terms of which the Lessee uses certain real property for space located at the former Naval Station, Treasure Island; and

WHEREAS, the parties agree to amend the terms of the Lease Agreement.

NOW THEREFORE, in consideration of the terms, covenants and conditions hereinafter set forth; the following paragraph to Lease N6247499RP42P12 is hereby amended to reflect the following changes:

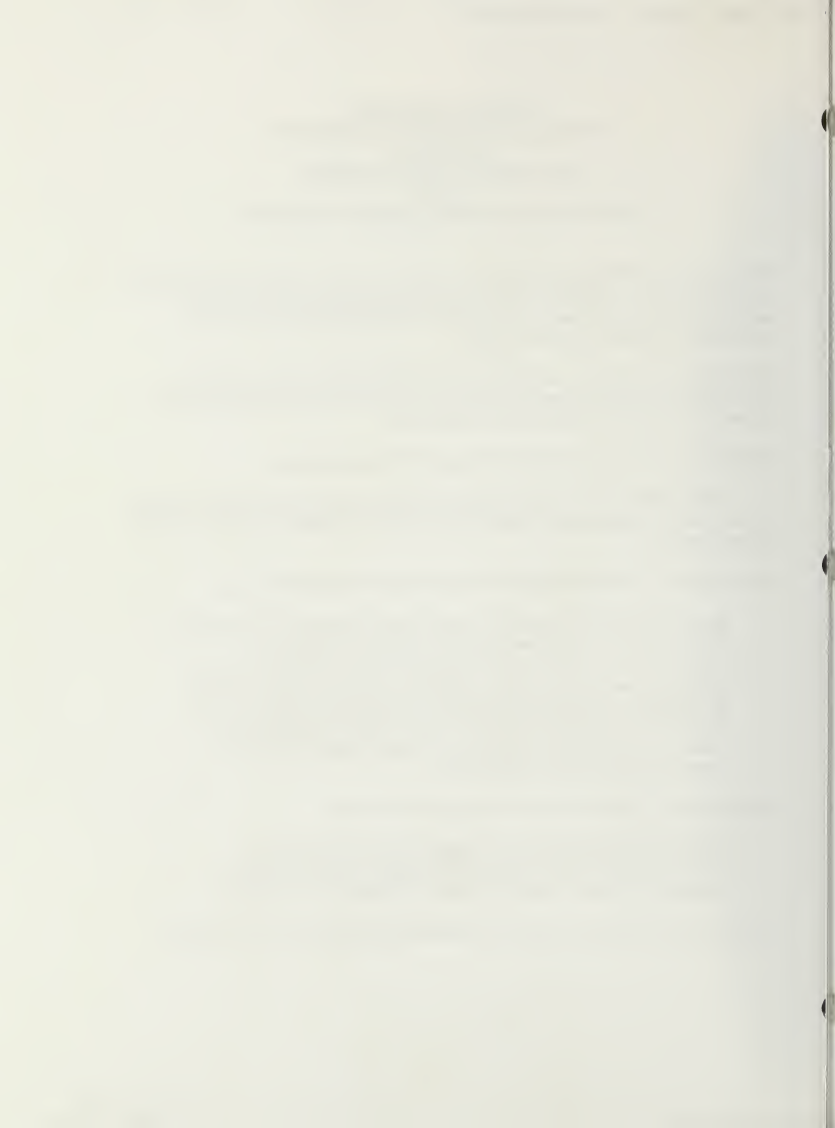
Delete Paragraph 1. LEASED PREMISES in its entirety and insert the following:

Subject to the terms and conditions of this Lease, Government does hereby lease, rent, and demise to Lessee, and Lessee does hereby hire and rent from Government, approximately 20,532 square feet (.47 acres) of land, including any structures located thereon as shown on Exhibit A; Building 62, (35,611 square feet) occupying approximately 69,24 square feet (1.60 acres) of land as shown on Exhibit A-1 and approximately 391,575 square feet (8.99 acres) as shown on Exhibit A-2, attached hereto, together with all improvements; and all rights of ingress and egress to the "Leased Premises".

Delete Paragraph 2. TERM in its entirety and insert the following:

The term of this Lease shall be for a period of one (1) year beginning on 19 NOVEMBER 1999 and ending 18 NOVEMBER 2002, unless sooner terminated in accordance with the provisions of Paragraph 14, Termination.

All other terms and conditions of the Lease Agreement shall remain in full force and effect.



IN WITNESS WHEREOF, the parties hereto have, on the respective dates set forth above duly executed this amendment to the Lease as of the day and year first above written.

UNITED STATES OF AMERICA

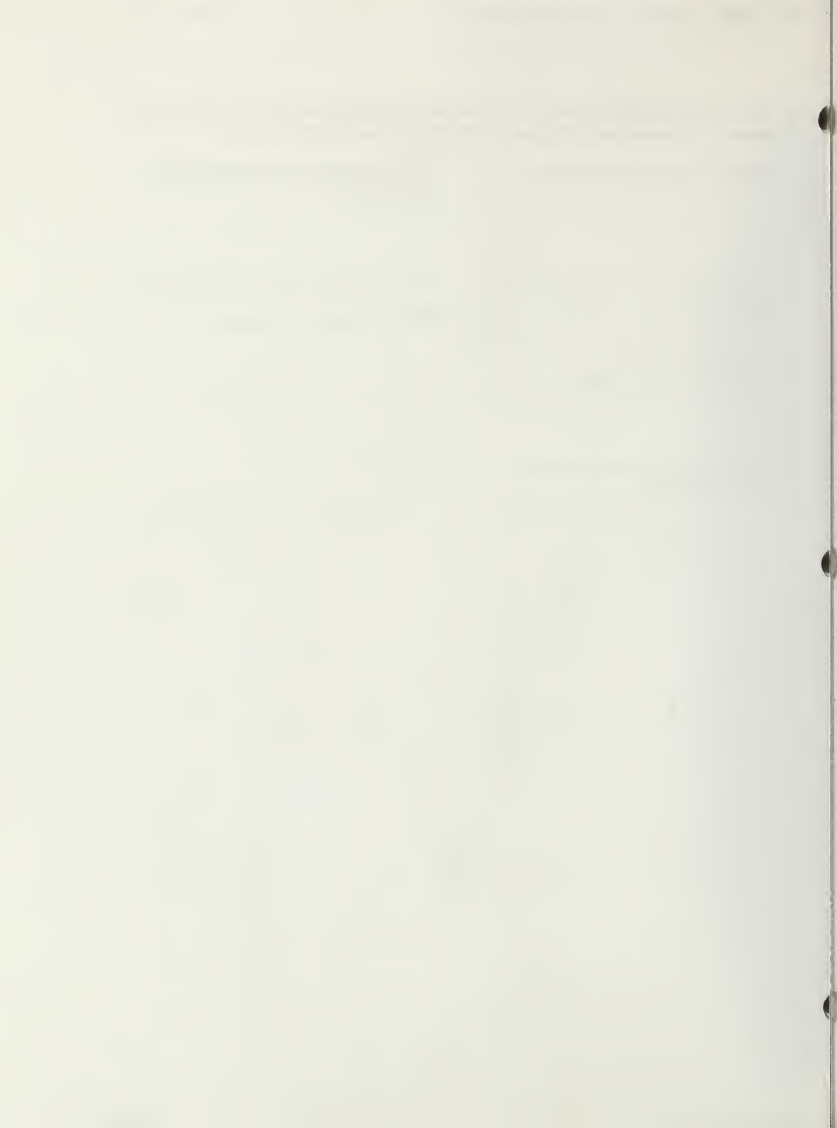
TREASURE ISLAND DEVELOPMENT
AUTHORITY

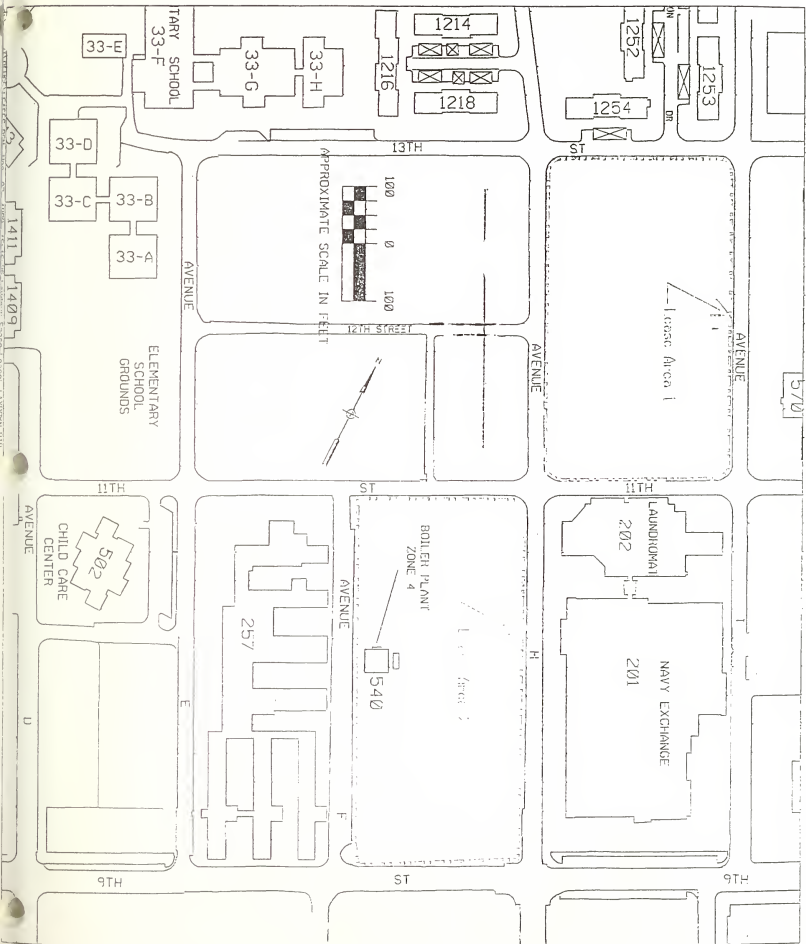
Title _____

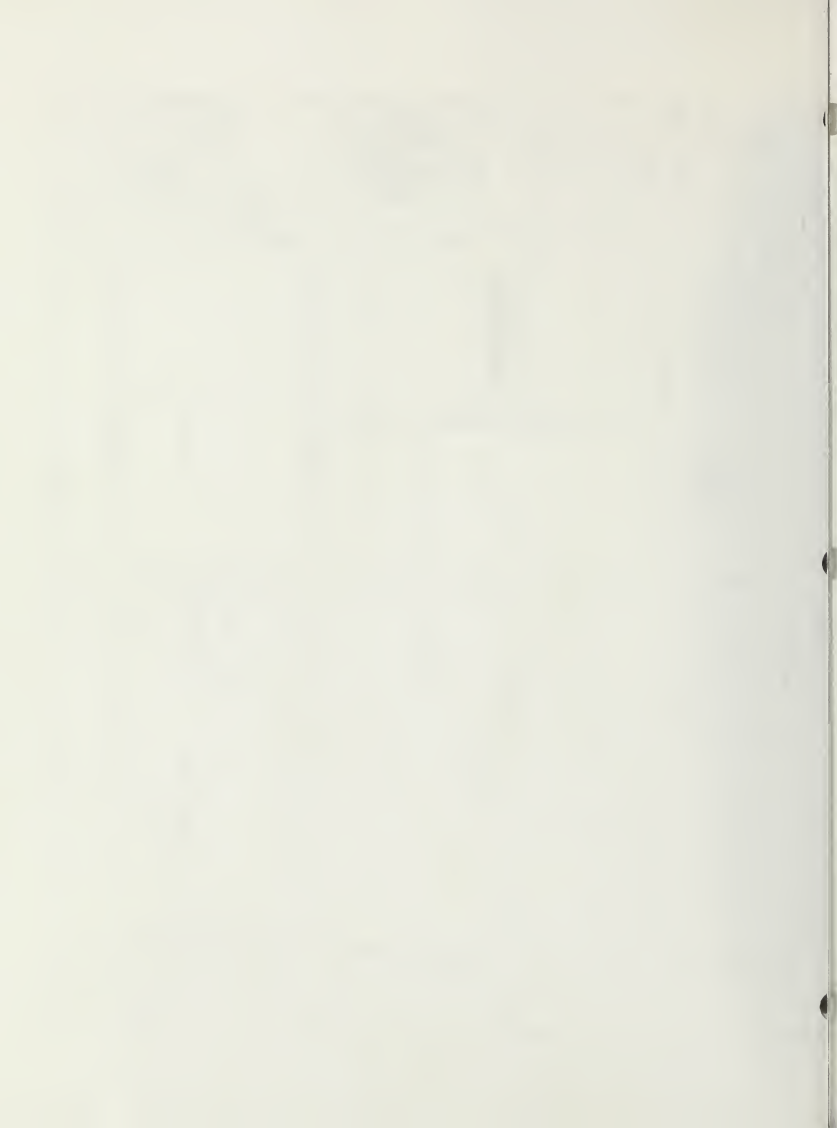
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APPROVED AS TO FORM:

CITY ATTORNEY









Notes

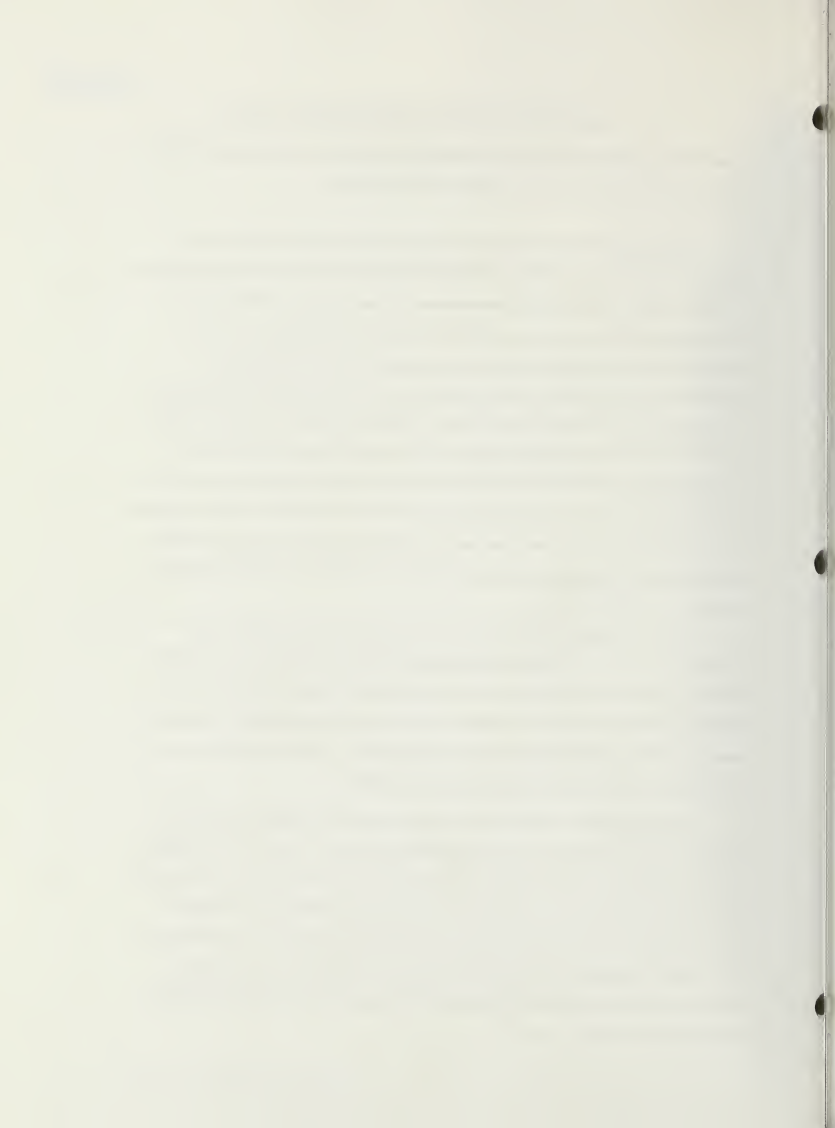
STAFF SUMMARY FOR AGENDA ITEMS 10 AND 11

Agenda items 10 and 11 are companion resolutions related to an expansion by Catholic Charities of its homeless service programs at Treasure Island.

Background. Pursuant to the Base Closure Community Redevelopment and Homeless Assistance Act of 1994, the Treasure Island Homeless Development Initiative ("TIHDI") and the San Francisco Redevelopment Agency negotiated a Base Closure Homeless Assistance Agreement and Option to Sublease Real Property, which was endorsed by the City's Board of Supervisors and approved by the United States Department of Housing and Urban Development (as such agreement is finally approved and adopted by the Authority and the City, the "TIHDI Agreement"). Under the TIHDI Agreement, TIHDI, among other things, is granted the right, upon the satisfaction of certain conditions precedent, to have one or more of its member organizations sublease up to 90 of the housing units on Yerba Buena Island (41 of which are to remain available to the Sublandlord for up to five years) and up to 285 housing units on Treasure Island for homeless San Franciscans, as more particularly described in the TIHDI Agreement (together, the "TIHDI Units").

Catholic Charities ("Subtenant") is a member organization of TIHDI. On September 1, 1999, the Authority and Subtenant entered into a sublease (the "Original Sublease") for the use of approximately 30 housing of the TIHDI Units for the provision of housing and support services to assist homeless families with disabilities. In order to be able to enter into the Original Sublease, on September 1, 1999, the Authority also entered into a TIHDI Master Housing Lease with the Navy.

The Amendments. Subtenant now wishes to amend the Original Sublease to expand the Original Premises by adding an additional 36 units. To do that, the Authority must amend both the Original Sublease with Catholic Charities (Agenda item 11) and the Original Lease with the Navy (Agenda item 10). Other than adding an additional 36 housing units to the Original Premises (and a corresponding change in the amount of the Navy CAM Charge that is due and payable thereunder by Subtenant), the terms and conditions of both the Original TIHDI Master Housing Lease and the Original Sublease would remain the same.



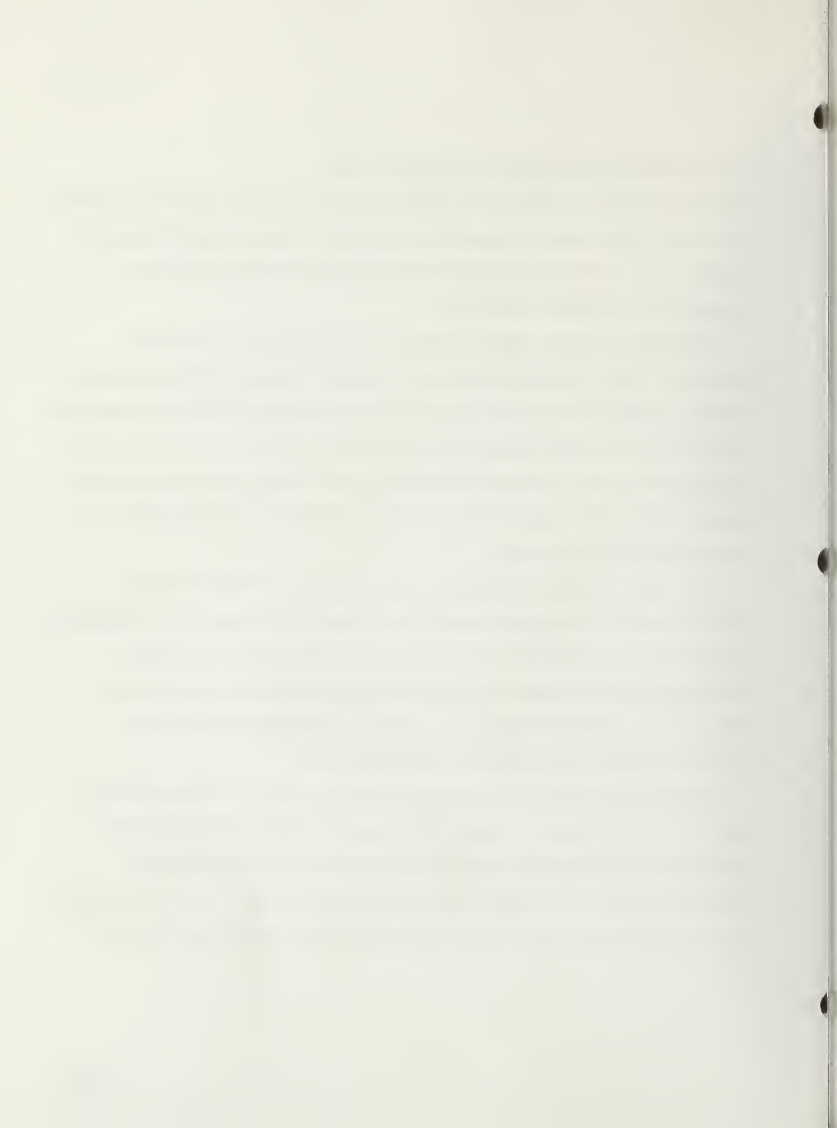
1 [Lease of an Additional 36 Housing Units from U.S. Navy]

2 APPROVING AND AUTHORIZING THE TREASURE ISLAND DEVELOPMENT AUTHORITY
3 TO AMEND A LEASE WITH THE UNITED STATES NAVY TO ADD AN ADDITIONAL 36
4 HOUSING UNITS ON TREASURE ISLAND FOR USE BY THE TREASURE ISLAND
5 HOMELESS DEVELOPMENT INITIATIVE.

6 WHEREAS, On May 2, 1997, the Board of Supervisors (the "Board") passed
7 Resolution No. 380-97, authorizing the Mayor's Treasure Island Project Office to establish a
8 nonprofit public benefit corporation known as the Treasure Island Development Authority (the
9 "Authority") to act as a single entity focused on the planning, redevelopment, reconstruction,
10 rehabilitation, reuse and conversion of former Naval Station Treasure Island (the "Base") for
11 the public interest, convenience, welfare and common benefit of the inhabitants of the City
12 and County of San Francisco; and,

13 WHEREAS, Under the Treasure Island Conversion Act of 1997 (the "Act"), the
14 California legislature (i) designated the Authority as a redevelopment agency under California
15 redevelopment law with authority over the Base upon approval of the City's Board of
16 Supervisors, and, (ii) with respect to those portions of the Base which are subject to the
17 Tidelands Trust, vested in the Authority the authority to administer the public trust for
18 commerce, navigation and fisheries as to such property; and,

19 WHEREAS, On September 1, 1999, the Authority and The United States Navy (the
20 "Navy") entered into a lease (the "Original TIHDI Master Housing Lease") for the use of
21 approximately 86 housing units and certain related facilities on the Base by member
22 organizations of the Treasure Island Homeless Development Initiative, all as more particularly
23 shown on Exhibit A to the Original TIHDI Master Housing Lease (the "Original Premises");
24 and,



1 WHEREAS, The Navy and the Authority now wish to amend the Original TIHDI Master
2 Housing Lease to expand the Original Premises by adding an additional 36 housing units (for
3 a total of 122 units) to allow Catholic Charities, a member organization of TIHDI, to expand its
4 programs at the Base (the "First Amendment"); and,

5 WHEREAS, Other than adding an additional 36 housing units to the Original Premises
6 (and a corresponding change in the amount of the Navy CAM Charge that is due and payable
7 thereunder), the terms and conditions of the Original TIHDI Master Housing Lease, shall
8 remain in full force and effect; and,

9 WHEREAS, Pursuant to the requirements of the California Environmental Quality Act,
10 California Public Resources Code, Sections 21000 et seq., ("CEQA"), the Guidelines for
11 Implementation of CEQA, Title 15 California Code of Regulations Sections 15000 et seq.,
12 ("CEQA Guidelines") and Chapter 31 of the San Francisco Administrative Code ("Chapter
13 31"), entitled Environmental Quality, the San Francisco Planning Department prepared two (2)
14 categorical exemptions affecting the decision by this Board of Supervisors to approve the
15 subleases that are the subject of this resolution, and,

16 WHEREAS, On September 24, 1997, the Planning Department issued a Categorical
17 Exemption under Guidelines sections 15301(a) and 15301(d) on the basis that the renovation
18 and occupancy by civilians of approximately 204 existing Series 1400 housing units would not
19 result in a change in use or intensity from previous uses; and,

20 WHEREAS, On November 3, 1997, the Planning Department issued a Categorical
21 Exemption under Guidelines sections 15301, 15303 and 15304(e) and a General Rule
22 Exclusion under Guidelines section 15061(b)(3) for the interim reuse of all facilities on
23 Treasure Island, including but not limited to housing units, on the basis that interim uses that
24 are consistent with the intensity and use of said facilities as documented in the 1995 Existing
25

1 Conditions Report would not nor could not have a reasonable probability to cause or
2 contribute to a significant effect on the environment; and,

3 WHEREAS, Both categorical exemptions have been filed with the Clerk of the Board in
4 File No. _____ and the 1995 Existing Conditions Report is on file with the
5 Secretary of the Authority; Now, therefore, be it

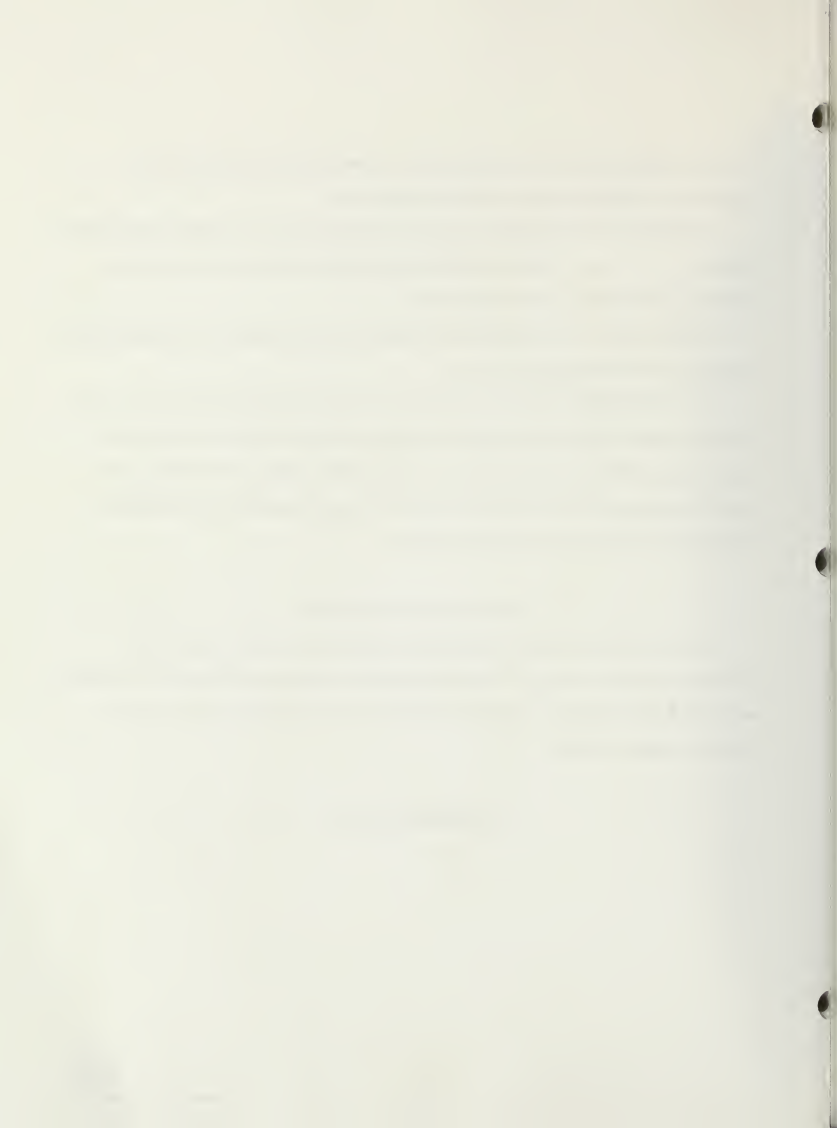
6 RESOLVED, That the Authority hereby approves and authorizes the Executive Director
7 to enter in the First Amendment and, be it

8 FURTHER RESOLVED, That the Authority authorizes the Executive Director to enter
9 into modifications to the First Amendment (including, without limitation, the attachment or
10 modification of exhibits) that are in the best interests of the Authority and the City, do not
11 materially change the terms of the First Amendment, and are necessary and advisable to
12 effectuate the purpose and intent of this resolution.

13
14 CERTIFICATE OF SECRETARY

15 *I hereby certify that I am the duly elected and acting Secretary of the Treasure Island*
16 *Development Authority, a California nonprofit public benefit corporation, and that the above Resolution*
17 *was duly adopted and approved by the Board of Directors of the Authority at a properly noticed*
18 *meeting on January 12, 2000.*

19
20 _____
21 John Elberling, Secretary
22
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Notes

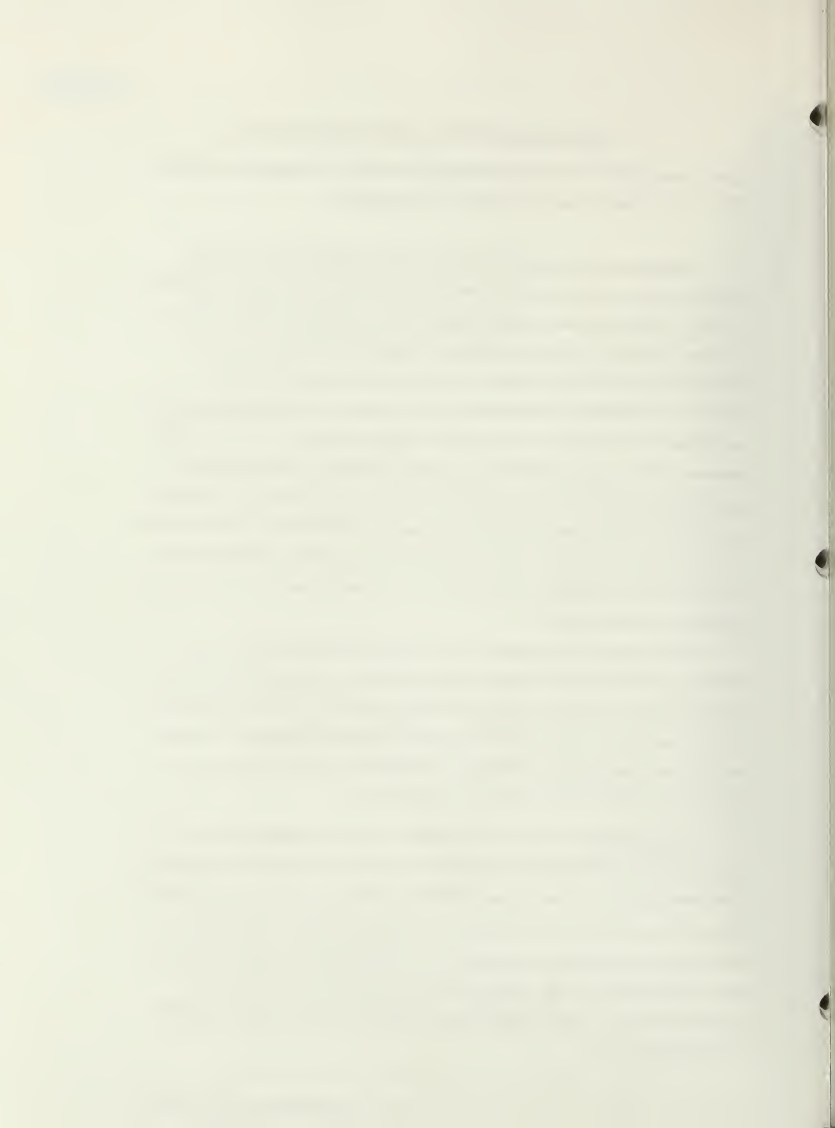
STAFF SUMMARY FOR AGENDA ITEMS 10 AND 11

Agenda items 10 and 11 are companion resolutions related to an expansion by Catholic Charities of its homeless service programs at Treasure Island.

Background. Pursuant to the Base Closure Community Redevelopment and Homeless Assistance Act of 1994, the Treasure Island Homeless Development Initiative ("TIHDI") and the San Francisco Redevelopment Agency negotiated a Base Closure Homeless Assistance Agreement and Option to Sublease Real Property, which was endorsed by the City's Board of Supervisors and approved by the United States Department of Housing and Urban Development (as such agreement is finally approved and adopted by the Authority and the City, the "TIHDI Agreement"). Under the TIHDI Agreement, TIHDI, among other things, is granted the right, upon the satisfaction of certain conditions precedent, to have one or more of its member organizations sublease up to 90 of the housing units on Yerba Buena Island (41 of which are to remain available to the Sublandlord for up to five years) and up to 285 housing units on Treasure Island for homeless San Franciscans, as more particularly described in the TIHDI Agreement (together, the "TIHDI Units").

Catholic Charities ("Subtenant") is a member organization of TIHDI. On September 1, 1999, the Authority and Subtenant entered into a sublease (the "Original Sublease") for the use of approximately 30 housing of the TIHDI Units for the provision of housing and support services to assist homeless families with disabilities. In order to be able to enter into the Original Sublease, on September 1, 1999, the Authority also entered into a TIHDI Master Housing Lease with the Navy.

The Amendments. Subtenant now wishes to amend the Original Sublease to expand the Original Premises by adding an additional 36 units. To do that, the Authority must amend both the Original Sublease with Catholic Charities (Agenda item 11) and the Original Lease with the Navy (Agenda item 10). Other than adding an additional 36 housing units to the Original Premises (and a corresponding change in the amount of the Navy CAM Charge that is due and payable thereunder by Subtenant), the terms and conditions of both the Original TIHDI Master Housing Lease and the Original Sublease would remain the same.



1 [Sublease of an Additional 36 Housing Units to Catholic Charities]

2 APPROVING AND AUTHORIZING THE TREASURE ISLAND DEVELOPMENT AUTHORITY
3 TO AMEND A SUBLEASE WITH CATHOLIC CHARITIES TO ADD AN ADDITIONAL 36
4 HOUSING UNITS ON TREASURE ISLAND.

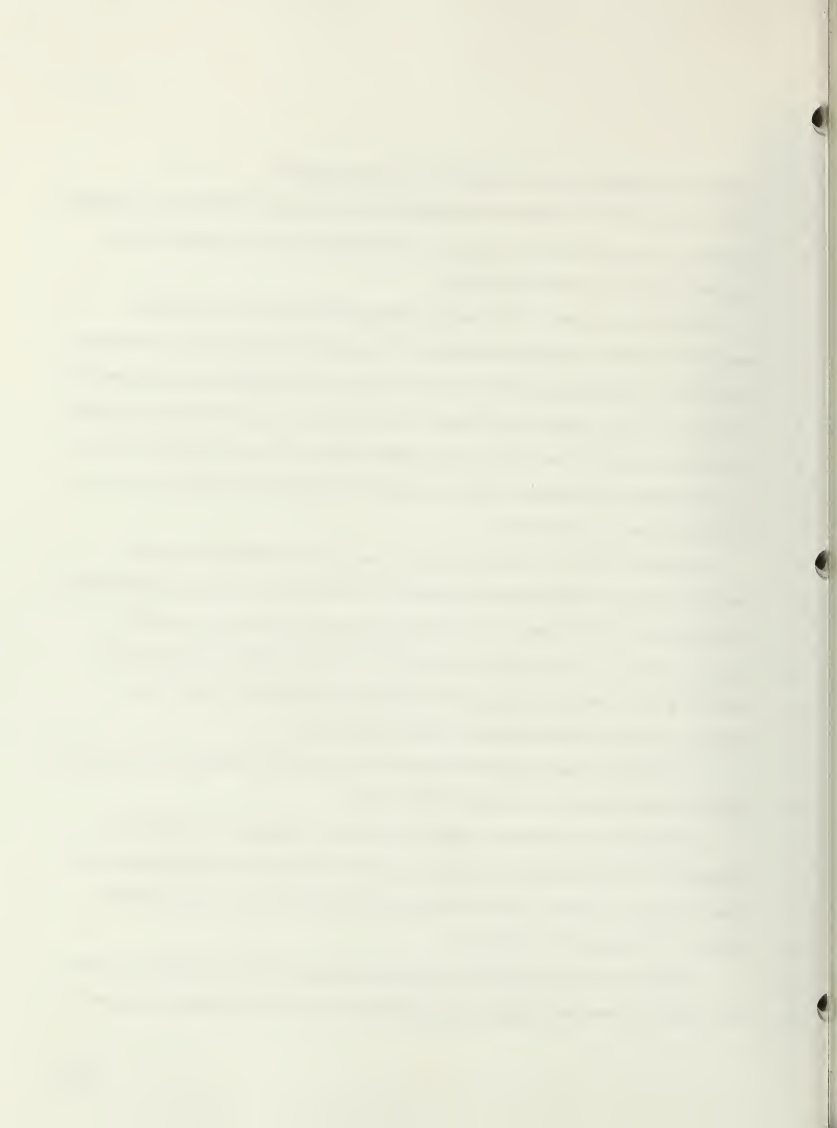
5 WHEREAS, On May 2, 1997, the Board of Supervisors (the "Board") passed
6 Resolution No. 380-97, authorizing the Mayor's Treasure Island Project Office to establish a
7 nonprofit public benefit corporation known as the Treasure Island Development Authority (the
8 "Authority") to act as a single entity focused on the planning, redevelopment, reconstruction,
9 rehabilitation, reuse and conversion of former Naval Station Treasure Island (the "Base") for
10 the public interest, convenience, welfare and common benefit of the inhabitants of the City
11 and County of San Francisco; and,

12 WHEREAS, Under the Treasure Island Conversion Act of 1997(the "Act"), the
13 California legislature (i) designated the Authority as a redevelopment agency under California
14 redevelopment law with authority over the Base upon approval of the City's Board of
15 Supervisors, and, (ii) with respect to those portions of the Base which are subject to the
16 Tidelands Trust, vested in the Authority the authority to administer the public trust for
17 commerce, navigation and fisheries as to such property; and,

18 WHEREAS, Catholic Charities ("Subtenant") is a member organization of the Treasure
19 Island Homeless Development Initiative ("TIHDI"); and,

20 WHEREAS, On September 1, 1999, the Authority and Subtenant entered into a
21 sublease (the "Original Sublease") for the use of approximately 30 housing units and certain
22 related facilities on the Base, all as more particularly shown on Exhibit C to the Original
23 Sublease (the "Original Premises"); and,

24 WHEREAS, In connection with the Original Sublease, Subtenant prepared a plan for
25 the provision of permanent housing and support services to assist homeless families with



1 disabilities to access and retain secure permanent housing and to achieve residential,
2 economic and personal stability (the "Plan"), a copy of which Plan is attached to the Original
3 Sublease as Exhibit A; and,

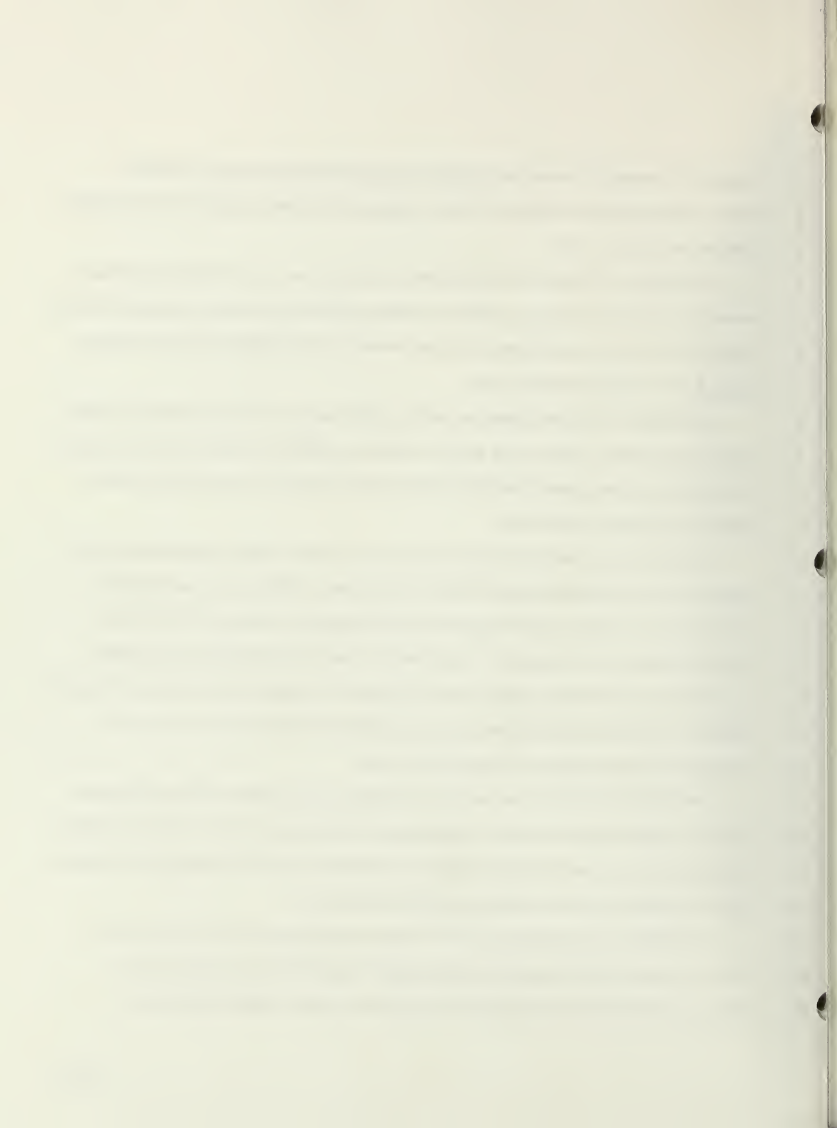
4 WHEREAS, Subtenant and the Authority now wish to amend the Original Sublease to
5 expand the Original Premises by adding an additional 36 housing units (for a total of 66 units),
6 subject to the terms and conditions of the First Amendment to Sublease attached hereto as
7 Exhibit A (the "First Amendment"); and,

8 WHEREAS, Other than adding an additional 36 housing units to the Original Premises
9 (and a corresponding change in the amount of the Navy CAM Charge that is due and payable
10 by Subtenant), the terms and conditions of the Original Sublease, including the Plan, shall
11 remain in full force and effect; and,

12 WHEREAS, Pursuant to the requirements of the California Environmental Quality Act,
13 California Public Resources Code, Sections 21000 et seq., ("CEQA"), the Guidelines for
14 Implementation of CEQA, Title 15 California Code of Regulations Sections 15000 et seq.,
15 ("CEQA Guidelines") and Chapter 31 of the San Francisco Administrative Code ("Chapter
16 31"), entitled Environmental Quality, the San Francisco Planning Department prepared two (2)
17 categorical exemptions affecting the decision by this Board of Supervisors to approve the
18 subleases that are the subject of this resolution, and,

19 WHEREAS, On September 24, 1997, the Planning Department issued a Categorical
20 Exemption under Guidelines sections 15301(a) and 15301(d) on the basis that the renovation
21 and occupancy by civilians of approximately 204 existing Series 1400 housing units would not
22 result in a change in use or intensity from previous uses; and,

23 WHEREAS, On November 3, 1997, the Planning Department issued a Categorical
24 Exemption under Guidelines sections 15301, 15303 and 15304(e) and a General Rule
25 Exclusion under Guidelines section 15061(b)(3) for the interim reuse of all facilities on



1 Treasure Island, including but not limited to housing units, on the basis that interim uses that
2 are consistent with the intensity and use of said facilities as documented in the 1995 Existing
3 Conditions Report would not nor could not have a reasonable probability to cause or
4 contribute to a significant effect on the environment; and,

5 WHEREAS, Both categorical exemptions have been filed with the Clerk of the Board in
6 File No. _____ and the 1995 Existing Conditions Report is on file with the
7 Secretary of the Authority; Now, therefore, be it

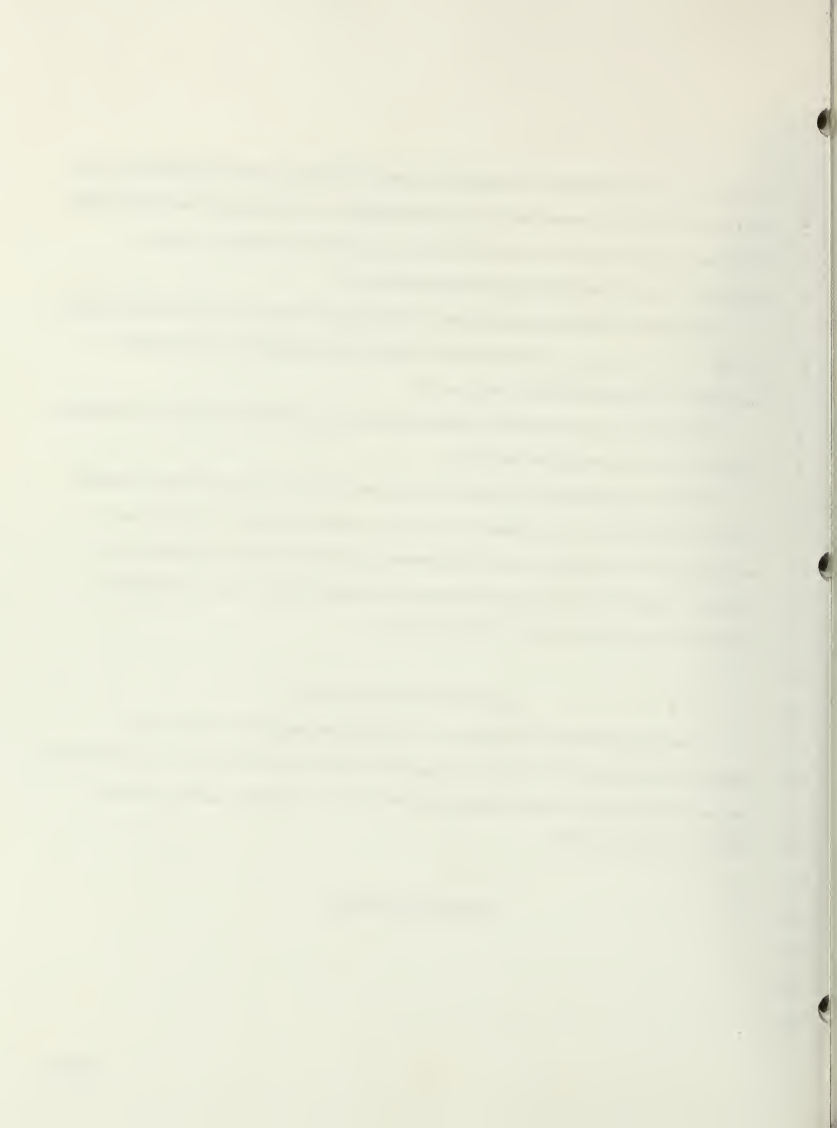
8 RESOLVED, That the Authority hereby approves and authorizes the Executive Director
9 to enter in the First Amendment and, be it

10 FURTHER RESOLVED, That the Authority authorizes the Executive Director to enter
11 into modifications to the First Amendment (including, without limitation, the attachment or
12 modification of exhibits) that are in the best interests of the Authority and the City, do not
13 materially change the terms of the First Amendment, and are necessary and advisable to
14 effectuate the purpose and intent of this resolution.

15
16 CERTIFICATE OF SECRETARY

17 *I hereby certify that I am the duly elected and acting Secretary of the Treasure Island*
18 *Development Authority, a California nonprofit public benefit corporation, and that the above Resolution*
19 *was duly adopted and approved by the Board of Directors of the Authority at a properly noticed*
20 *meeting on January 12, 2000.*

21
22 _____
23 John Elberling, Secretary
24
25



FIRST AMENDMENT TO SUBLEASE

Between

THE TREASURE ISLAND DEVELOPMENT AUTHORITY

As Sublandlord

And

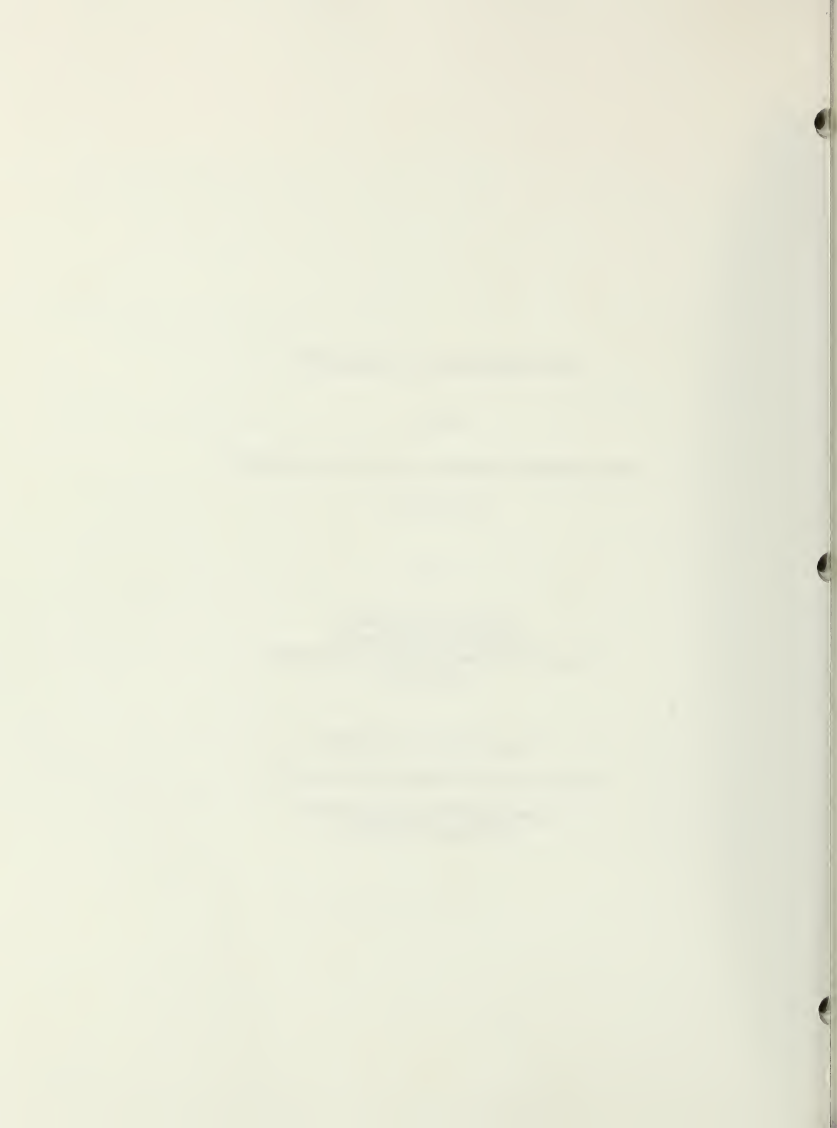
CATHOLIC CHARITIES

A member organization of the
Treasure Island Homeless Development Initiative
As Subtenant

For the Sublease of an additional

36 Housing Units and related premises located on

Former Naval Station Treasure Island
San Francisco, California



LIST OF EXHIBITS:

EXHIBIT A: Master Lease Amendment

EXHIBIT B-1: The Expansion Premises

EXHIBIT B-2: The Premises (as amended)

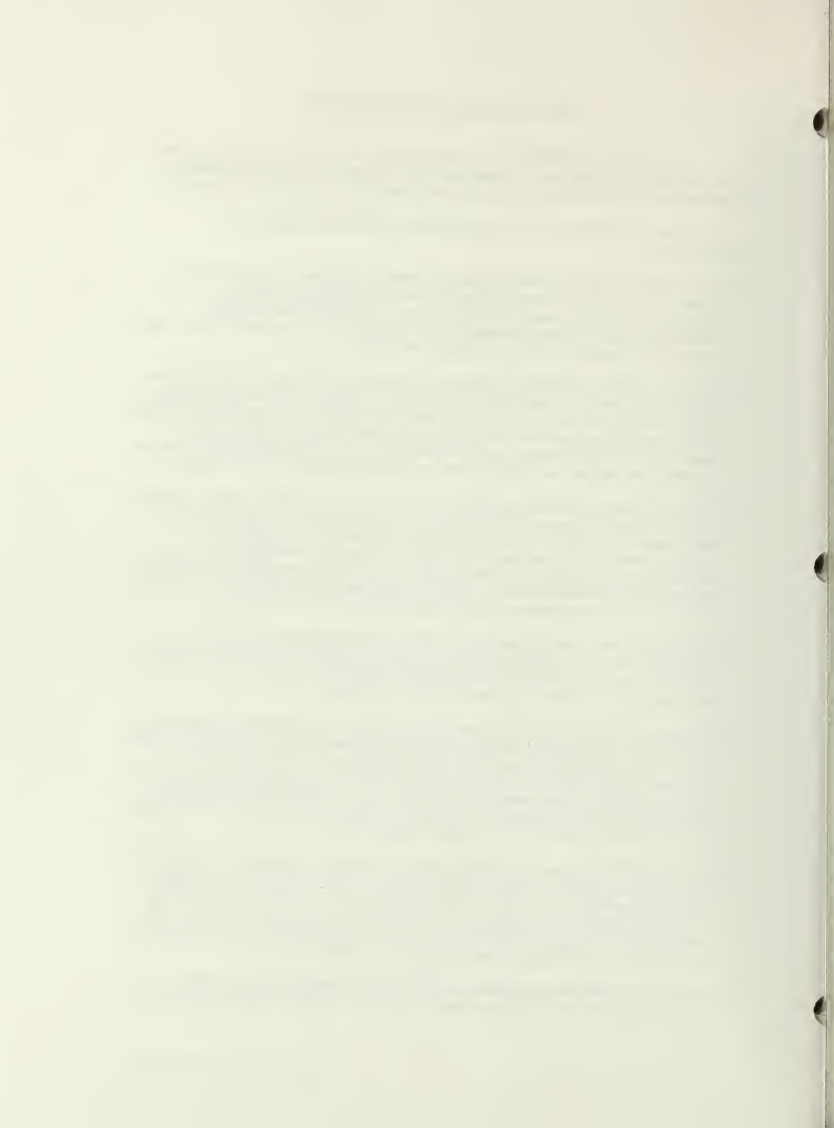
EXHIBIT C: Required Alterations for Expansion Premises

FIRST AMENDMENT TO SUBLEASE

THIS FIRST AMENDMENT TO SUBLEASE (this "First Amendment"), dated as of January 1, 2000, is by and between the Treasure Island Development Authority ("Sublandlord"), and Catholic Charities, Archdiocese of San Francisco ("Subtenant").

This First Amendment is made with reference to the following facts and circumstances:

- A. Former Naval Station Treasure Island (the "Base" or "Property") was previously selected for closure and disposition by the Base Realignment and Closure Commission in 1993, acting under Public Law 101-510 and its subsequent amendments, and is currently owned by the United States of America, acting by and through the Department of Navy ("Master Landlord").
- B. On May 2, 1997, the Board of Supervisors of the City and County of San Francisco passed Resolution No. 244-97-003, authorizing the Mayor's Treasure Island Project Office (the "Project Office") to establish the Sublandlord as a nonprofit public benefit corporation for the purpose of overseeing and implementing the redevelopment, reconstruction, rehabilitation, reuse and conversion of the Base for the public interest, convenience, welfare and common benefit of the inhabitants of the Sublandlord.
- C. Under the Treasure Island Conversion Act of 1997, which amended Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter 1333 of the Statutes of 1968 (the "Act"), the California legislature (i) designated the Sublandlord as a redevelopment agency under California redevelopment law with authority over the Base, and, (ii) with respect to those portions of the Base which are former tide or submerged lands, vested in the Sublandlord the authority to administer the public trust for commerce, navigation and fisheries as to such property.
- D. Under the Act and the Sublandlord's Articles of Incorporation and Bylaws, the Sublandlord has the power and authority, subject to applicable laws, to sell, sublease, exchange, transfer, convey or otherwise grant interests in or rights to use or occupy all or any portion of the real property located on the Base.
- E. Pursuant to the Base Closure Community Redevelopment and Homeless Assistance Act of 1994, the Treasure Island Homeless Development Initiative ("TIHDI") and the San Francisco Redevelopment Agency negotiated a Base Closure Homeless Assistance Agreement and Option to Sublease Real Property, which was endorsed by the City's Board of Supervisors and approved by the United States Department of Housing and Urban Development (as such agreement is finally approved and adopted by the Authority and the City, the "TIHDI Agreement").
- F. Under the TIHDI Agreement, TIHDI, among other things, is granted the right, upon the satisfaction of certain conditions precedent, to have one or more of its member organizations sublease up to 90 of the housing units on Yerba Buena Island (41 of which are to remain available to the Sublandlord for up to five years) and up to 285 housing units on Treasure Island for homeless San Franciscans, as more particularly described in the TIHDI Agreement (together, the "TIHDI Units").
- G. Subtenant is a member organization of TIHDI and has prepared a plan for the provision of permanent housing and support services to assist homeless families with

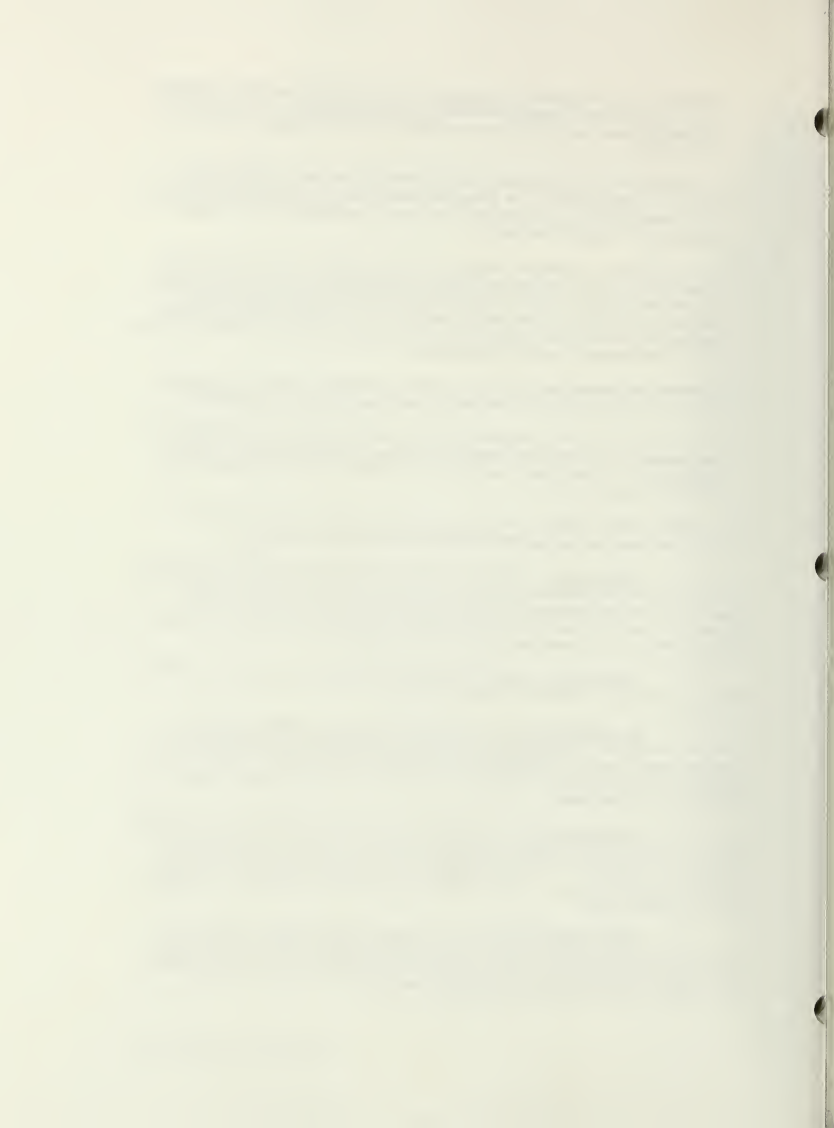


disabilities to access and retain secure permanent housing and to achieve residential, economic and personal stability (the "Plan"), a copy of which Plan is attached to the Original Sublease (as defined below) as Exhibit A and has been approved by the Sublandlord.

- H. On September 1, 1999, Sublandlord and Subtenant entered into a sublease (the "Original Sublease") for the use of approximately 30 housing units and certain related facilities on the Base, all as more particularly shown on Exhibit C to the Original Sublease (the "Original Premises")
- I. For the purpose of the Original Sublease and other subleases with TIHDI member organizations, Master Landlord and Sublandlord entered into a lease dated September 1, 1999 (the "Original Master Lease"), a copy of which is attached to the Original Sublease as Exhibit B. Under the Original Master Lease, Master Landlord leased to Sublandlord, among other things, 86 units of unoccupied housing on the Base, as well as certain related facilities and common areas.
- J. Subtenant and Sublandlord now wish to amend the Original Sublease to expand the Original Premises, subject to the terms and conditions of this First Amendment.
- K. For purposes of this First Amendment, Master Landlord and Sublandlord entered into an amendment to the Original Master Lease, a copy of which is attached hereto as Exhibit A (the "Master Lease Amendment", and together with the Original Master Lease, the "Master Lease").

NOW THEREFORE, in consideration of the foregoing, and other good and valuable consideration, Sublandlord and Subtenant hereby agree as follows:

- 1. Effective Date. This First Amendment shall become effective on the later of (i) the date the Sublandlord and the City's Board of Supervisors adopt resolutions approving and authorizing this Agreement, and the Mayor approves such Board of Supervisors' resolution, and (ii) the date on which the parties hereto have duly executed and delivered this First Amendment (the "Effective Date").
- 2. Defined Terms. Capitalized terms not separately defined herein shall have the same meaning provided in the Original Sublease.
- 3. Expansion Premises. The Original Premises are hereby expanded to include an additional 36 housing units and certain related facilities on the Base, all as more particularly shown on Exhibit B-1 attached hereto (the "Expansion Premises", and together with the Original Premises, the "Premises"), which Premises are shown on Exhibit B-2 attached hereto.
- 4. Navy Cam Charges. Subtenant shall pay all amounts due and owing to the Master Landlord under the Master Lease, including any Common Area Maintenance Charges due thereunder ("Navy CAM Charges"). The current Navy CAM Charges for the Premises will be \$_____ per month upon occupancy by Subtenant, as provided under the Master Lease.
- 5. Required Alterations. Prior to occupancy of the Expansion Premises under this First Amendment, and as a material condition hereof, Subtenant shall make and complete the improvements to the Expansion Premises described on Exhibit C hereto (the "Required Alterations for the Expansion Premises").



6. Certificates of Occupancy. Without limiting the generality of Section 9.1 of the Original Sublease, Subtenant shall, at its sole cost, obtain all required certificates of occupancy from the City's Department of Building Inspection necessary to comply with applicable Laws, including certification that the Expansion Premises satisfy the FEMA-178 seismic life-safety standard, prior to use and occupancy of the Expansion Premises.

7. Terms and Conditions of the Agreement Remain in Force and Effect. Except as specifically amended hereby, the terms and conditions of the Original Sublease shall remain in full force and effect.

8. Counterparts. This First Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

Sublandlord and Subtenant have executed this First Amendment as of the date first written above.

SUBTENANT:

Catholic Charities

a _____

By: _____

Its: _____

SUBLANDLORD:

TREASURE ISLAND DEVELOPMENT
AUTHORITY,

a non-profit public benefit corporation

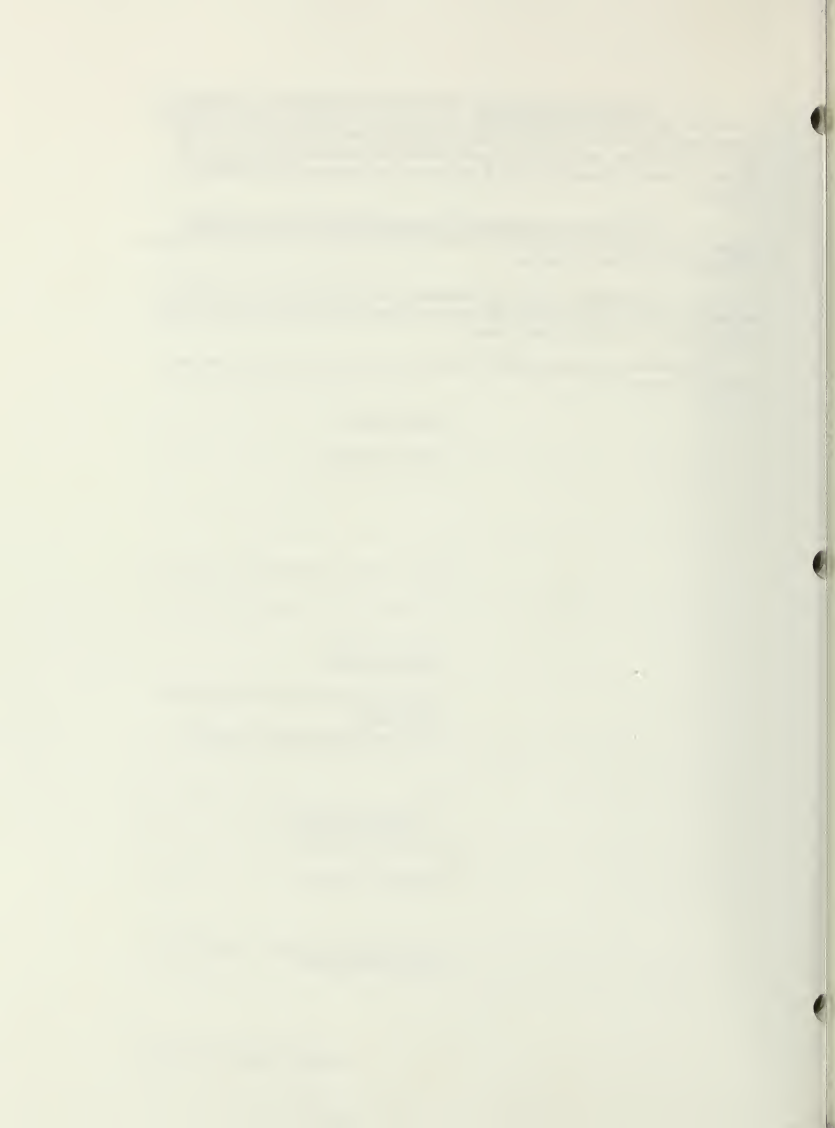
By: _____

Annemarie Conroy

Its: Executive Director

Approved as to Form:

Deputy City Attorney





Notes



Notes

Notes

Notes



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The Treasure Island Project

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Treasure Island Development Authority

**MINUTES FOR REGULAR MEETING
JANUARY 12, 2000**

2 P.M. Room 416, City Hall
1 Dr. Carlton Goodlett Place

1. Roll Call: Present: John Elberling, Vice Chair James Maorales, William Fazande, Anne Halsted, Gerald Green, Susan Po-Rufino

Excused: Doug Wong

2. Approval of Minutes - The minutes were approved

3. Communications - The Commission Secretary stated that there had been none

4. Ongoing Business by Directors and Introduction of New Business by members -
There was none

5. Report of the Treasure Island Project Director Annemarie Conroy

Report on access to Treasure Island including public use last month- Ms. Conroy reported that there had been many holiday parties and weddings despite the islands being closed for New Year's Eve.

Status of environmental clean up- Ms. Conroy stated that Martha Walters was out of town at a meeting and would make a report in February

Report on short-term leases- There are no new ones to report

Report on San Francisco-Oakland Bay Bridge/Caltrans issues- Ms. Conroy reported that the City had been meeting with relevant federal and state agencies regarding the alignment and the retrofit.

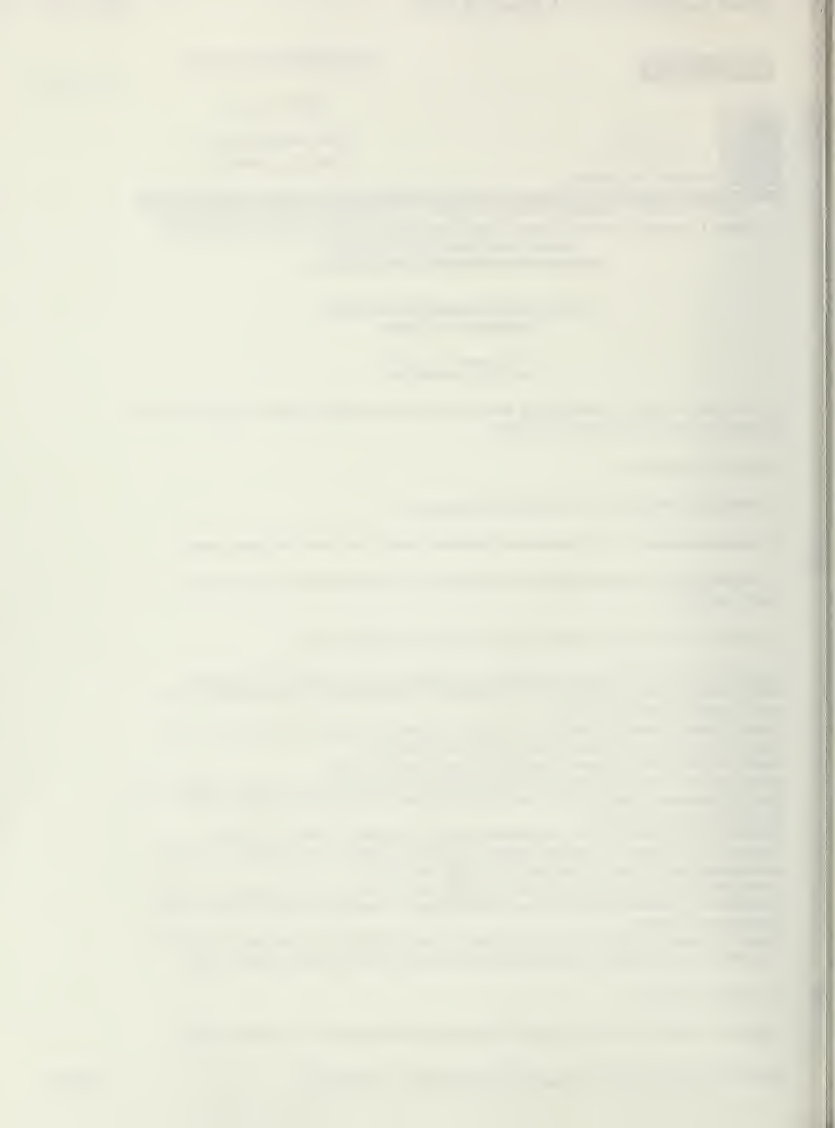
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Mr. Green and Mr. Morales inquired about hours of operation, noise, the type and timing of truck deliveries, landscaping, the location of lighting on the site and provisions for recovery from CEC's possible damage to TI's streets from truck traffic.

Ms. Proud and Ms. Conroy stated that Authority members' concerns could be addressed in a management plan.

Public Comment:

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For item #8, Ms. Conroy suggested that the sublease be approved with an amendment stating that a management plan be developed that addresses Authority members' concerns and brought back to the Authority for its approval.

Mr. Elberling asked Authority members if they really wanted to review the management plan. Mr. Green stated that he would make a motion that would include all the details and requested that staff report back to the Authority how the concerns were implemented, but that separate approval would not be required. Mr. Green listed the following conditions:

- a) That the stacking of materials be limited to eight feet in height
- b) That an eight foot high fence with slats or other screening device be erected
- c) That the area directly north of the modular offices not be used for storage
- d) That no lighting fixtures be located higher than the office complex and that the lighting be directed on-site only, not off-site.
- e) That any debris on TI streets caused by CEC be regularly cleaned up by CEC
- f) That CEC generally limit its hours of operation, except for night crew assembly, to daylight hours.

Mr. Green moved approval, Ms. Po-Rufino seconded.

Mr. Morales requested as an additional condition that all truck deliveries occur during daylight hours.

Approved, 6-0.

9. Resolution extending term of Master Lease with U.S. Navy and amending Master Lease to add two additional parcels on Treasure Island (*Action item*)

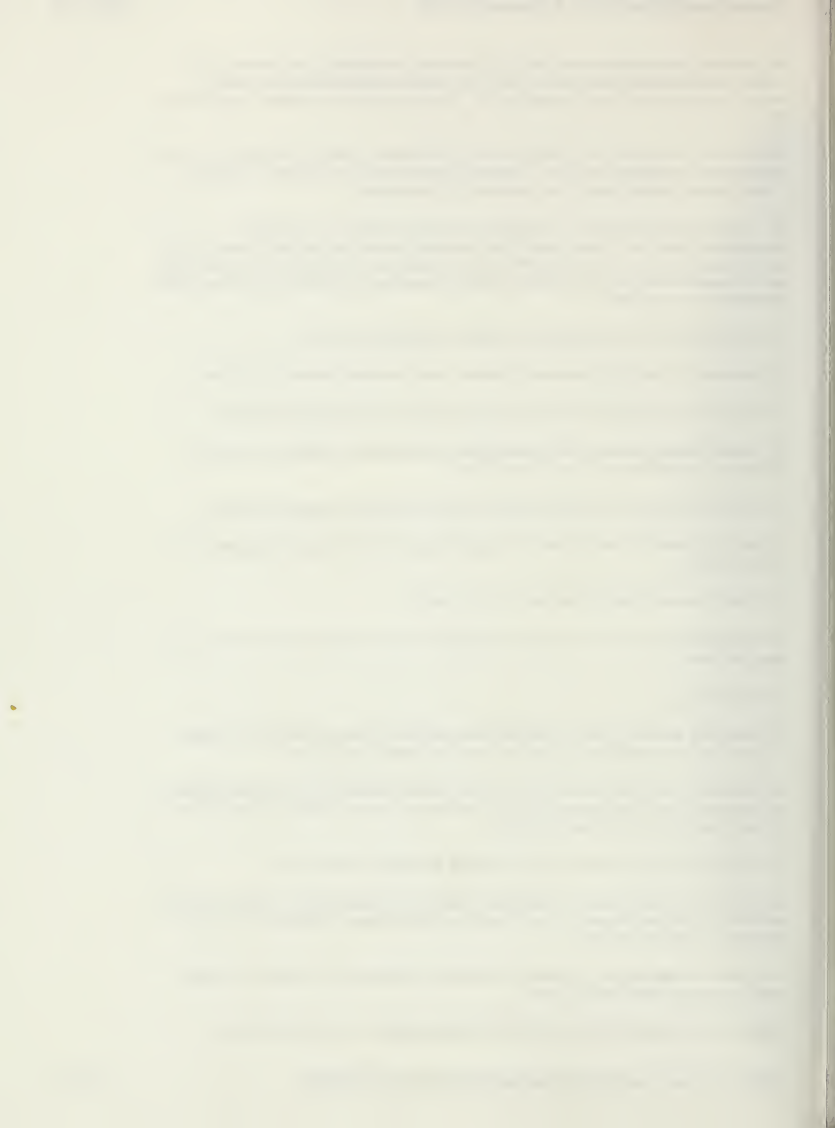
Development Specialist Daniel Hwang stated that the additional term of the lease will be three years and the parcels which will be newly included include the sites of the laydown area and the convenience store.

Mr. Green moved approval and Ms. Po-Rufino seconded. Approved, 6-0.

10. Resolution approving an amendment to Authority's Lease with U.S. Navy to add 36 units for use by the Treasure Island Homeless Development Initiative (TIHDI) on Treasure Island (*Action item*)

11. Resolution approving amendment of existing sublease with Catholic Charities to add 36 housing units (*Action item*)

Since the two agenda items pertain to the same subject, Vice-Chair Elberling



that they be considered together. Deputy City Attorney Cohen stated that in order to permit the addition of 36 units to an existing lease with Catholic Charities , both the Authority's original lease with the Navy and Catholic Charities' sublease with the Authority must be amended. Mr. Cohen stated that all other terms of the original sublease to Catholic Charities and the original lease with the Navy remain the same.

Lee Hopkins, Catholic Charities, stated that 17 families had moved into units on TI and that another 12 were waiting. In response to Mr. Morales' question, Ms. Hopkins stated that TI housing is permanent rather than transitional.

Ms. Halsted complimented TIHDI on its programs and noted the excellent story in the media just before Christmas.

Ms. Halsted moved approval and Ms. Po-Rufino seconded the motion. Approved, 6-0.

12. **Adjourn** - The meeting was adjourned at 2:40 p.m.

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SAN FRANCISCO



WILLIE LEWIS BROWN, JR.

TREASURE ISLAND PROJECT
410 AVENUE OF PALMS, BLDG #1
TREASURE ISLAND
SAN FRANCISCO, CA 94130
(415) 274-0660
FAX (415) 274-0299

**TREASURE ISLAND DEVELOPMENT AUTHORITY
AGENDA FOR REGULAR MEETING
WEDNESDAY, FEBRUARY 9, 2000 - 1 P.M.**

Room 400, City Hall
1 Dr. Carlton Goodlett Place

Willie L. Brown, Jr., Mayor

DIRECTORS

John Elberling, Vice-Chairman
William Fazande
Susan Po-Rufino
Doug Wong

Gerald Green
Anne Halsted
James Morales

Annemarie Conroy
Executive Director
Treasure Island Development Authority

DOCUMENTS DEPT.

ORDER OF BUSINESS

1. Call to Order and Roll Call
2. Approval of Minutes
3. Communications
4. Report of the Treasure Island Project Director Annemarie Conroy
 - Report on access to Treasure Island including public use last month
 - Status of environmental clean up
 - Report on short-term leases
 - Report on San Francisco-Oakland Bay Bridge/Caltrans issues
 - Report on TIHDI
 - Legislation/hearings affecting Treasure Island
5. Ongoing Business by Directors and Introduction of New Business by members
6. Public Comment
7. Report on management plan for California Engineering Contractors laydown site on Treasure Island (*Discussion only*)
8. Resolution approving amendment to lease with U.S. Navy to add Perimeter Path to leased premises (*Action item*)
9. Resolution approving extension of month-to-month lease with W. Wong Construction for Building 62 (*Action item*)

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10. Resolution approving extension of month-to-month lease with Island Creative Management for Building 99 (*Action item*)
11. Resolution approving sublease with Sweet November Productions for Building 180 (*Action item*)
12. Report on plans and conditions for San Francisco Sheriff's Department use of Treasure Island Brig (*Discussion only*)
13. Adjourn

Relevant documents such as resolutions, staff summaries, leases, subleases are available at the Treasure Island Project Office and the Government Information Center at the Main Library, 100 Larkin Street. Public comment is taken on each item on the agenda.

IMPORTANT NOTICE

Section 54954.1 of the Brown Act states that any person may request that a copy of the agenda of any meeting of the Treasure Island Authority be mailed at the time the agenda is mailed to members of the Authority. Section 54954.1 also states that the request for mailed copies of the agendas is valid for the calendar year in which it is filed and must be renewed January 1 of each year.

If you do not respond to this notice, you will be removed from the agenda mailing list effective March 1, 2000. If you have any questions, you may call Joan Rummelsburg at (415) 274-0660.

Disability Access

The Treasure Island Development Authority meets in Room 400 at City Hall, 1 Dr. Carlton Goodlett Place. City Hall is accessible to persons using wheelchairs, and others with disabilities. For American Sign Language interpreters or use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please telephone 554-6789 at least 72 hours before a meeting.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals.

The closest accessible BART is Civic Center, three blocks from the City Hall at the intersection of Market, Grove and Hyde Streets. Accessible MUNI lines serving this location are: #42 Downtown Loop, 9 San Bruno and the #71 Haight/Noriega. Accessible Muni Metro lines are J, K, L, M and N stopping at the Muni Metro Civic Center Station at Market and Van Ness. For more information about MUNI accessible services, call 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex. Accessible curbside parking is available on Grove Street.



**Minutes of Regular Meeting
Treasure Island Development Authority
January 12, 2000**

DRAFT

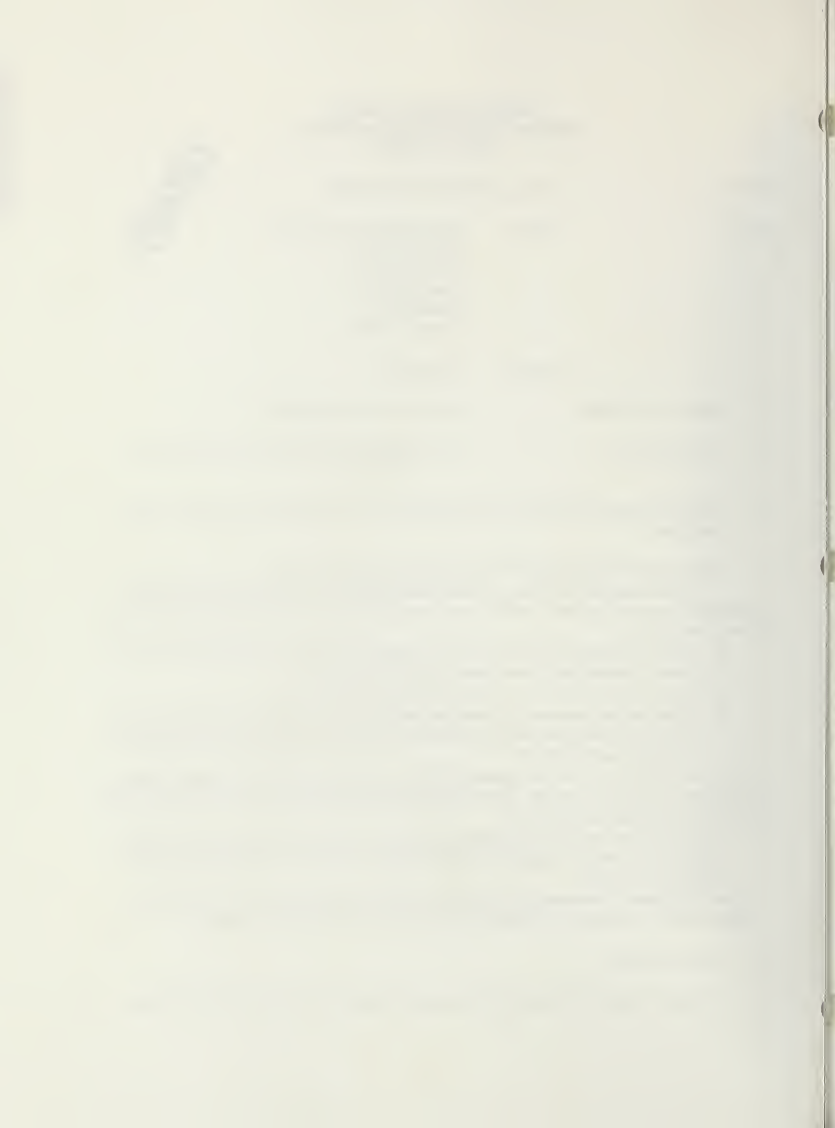
Call to Order: 2:07 p.m. in Room 416, City Hall

Roll Call: Present: John Elberling, Vice Chair
James Morales
William Fazande
Anne Halsted
Gerald Green
Susan Po-Rufino

Excused: Doug Wong

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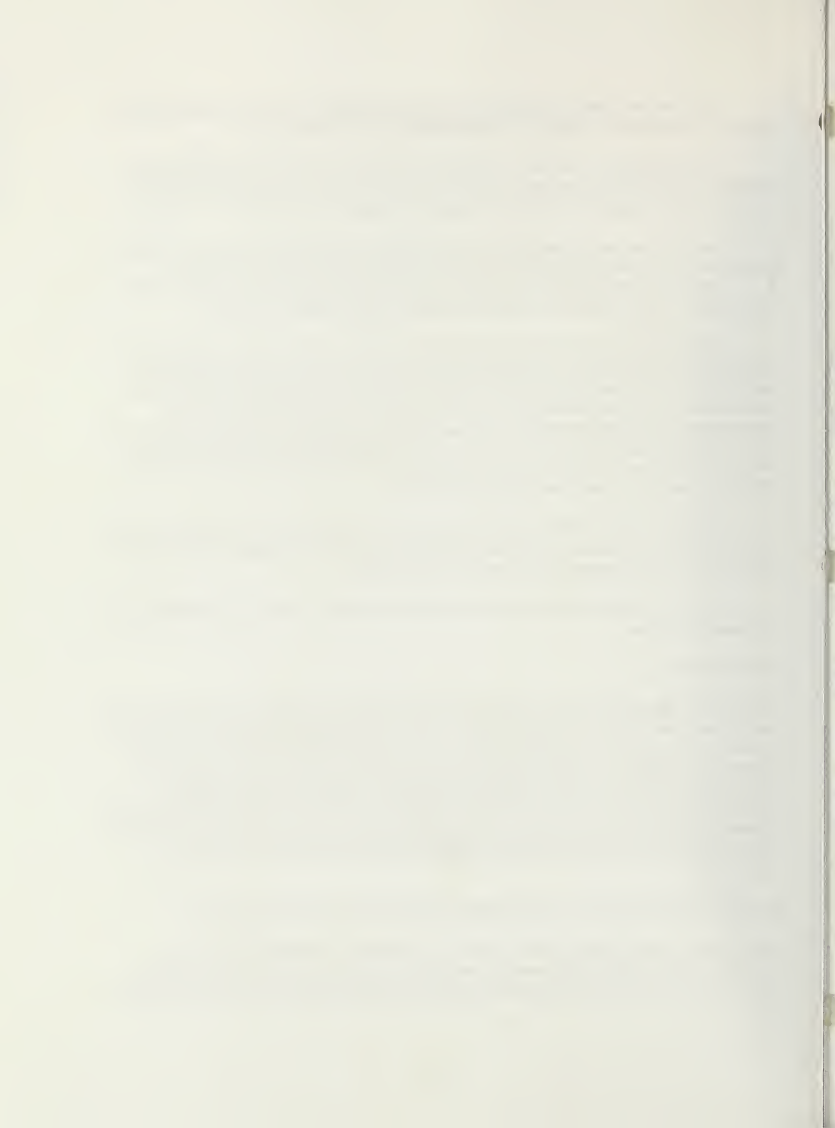
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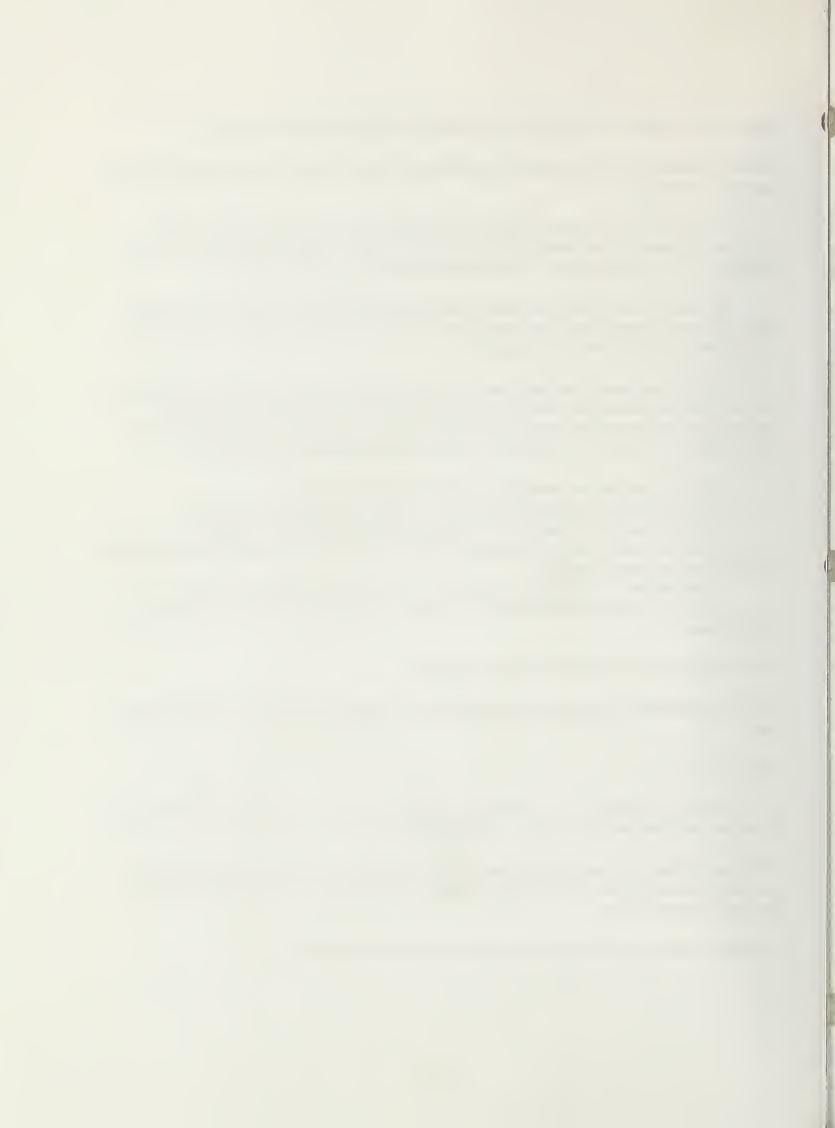
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Ms. Halsted moved approval and Ms. Po-Rufino seconded the motion. Approved, 6-0.

12. Adjourn

The meeting was adjourned at 2:40 p.m.







COMMUNICATIONS

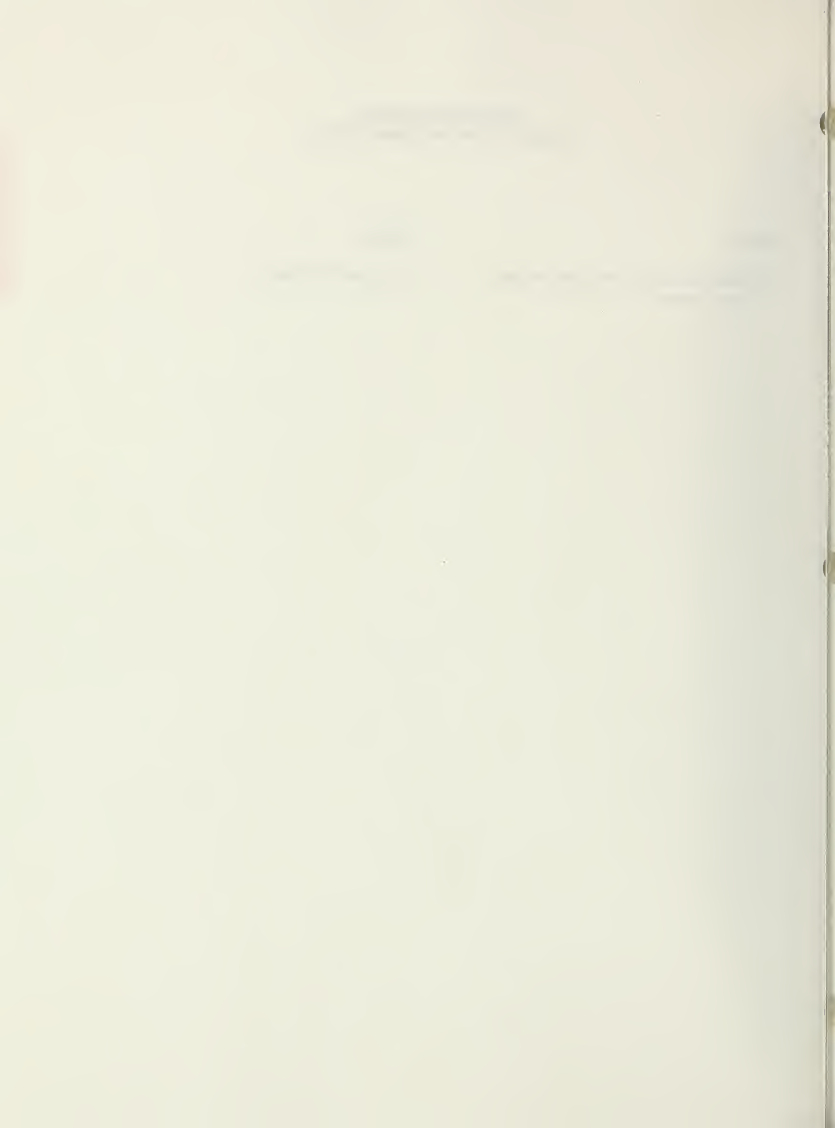
January 12, 2000 to February 9, 2000

Sender

John Steere, Director, San Francisco Bay
Joint Venture

Subject

In support of wetlands





COASTAL CONSERVANCY
1430 BROADWAY
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OAKLAND, CA 94612
(415) 286-0627
(415) 286-0470

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Vector Control District
National Fish and Wildlife
Foundation
Natural Resources
Conservation Service
Regional Water Quality Control
Board, San Francisco Bay Region
San Francisco Estuary Project
U.S. Fish & Wildlife Service
Wildlife Conservation Board

January 13, 2000

Mr. John Elberling, Vice-Chair
Treasure Island Development Authority
410 Palm Avenue, Building One, Treasure Island
San Francisco, CA 94130

RE: Wetlands Creation on Treasure Island

Dear Mr. Elberling:

I am writing on behalf of the San Francisco Bay Joint Venture to express our strong support for the creation of wetlands on Treasure Island. Our Board of Directors received a summary report on the Treasure Island Wetlands Project on October 21 and voted unanimously to endorse its inclusion on the eastern side of the island as an integral part of the island's development plan.

The San Francisco Bay Joint Venture is a partnership of twenty three public agencies, environmental organizations, business groups and agricultural interests working cooperatively to protect, restore, increase and enhance wetlands, riparian habitat and associated uplands throughout the San Francisco Bay Region. With the exception of those public agency members of the Management Board that are unable to take positions on legislative issues, the Joint Venture strongly supports the creation of wetlands on Treasure Island for the following reasons.

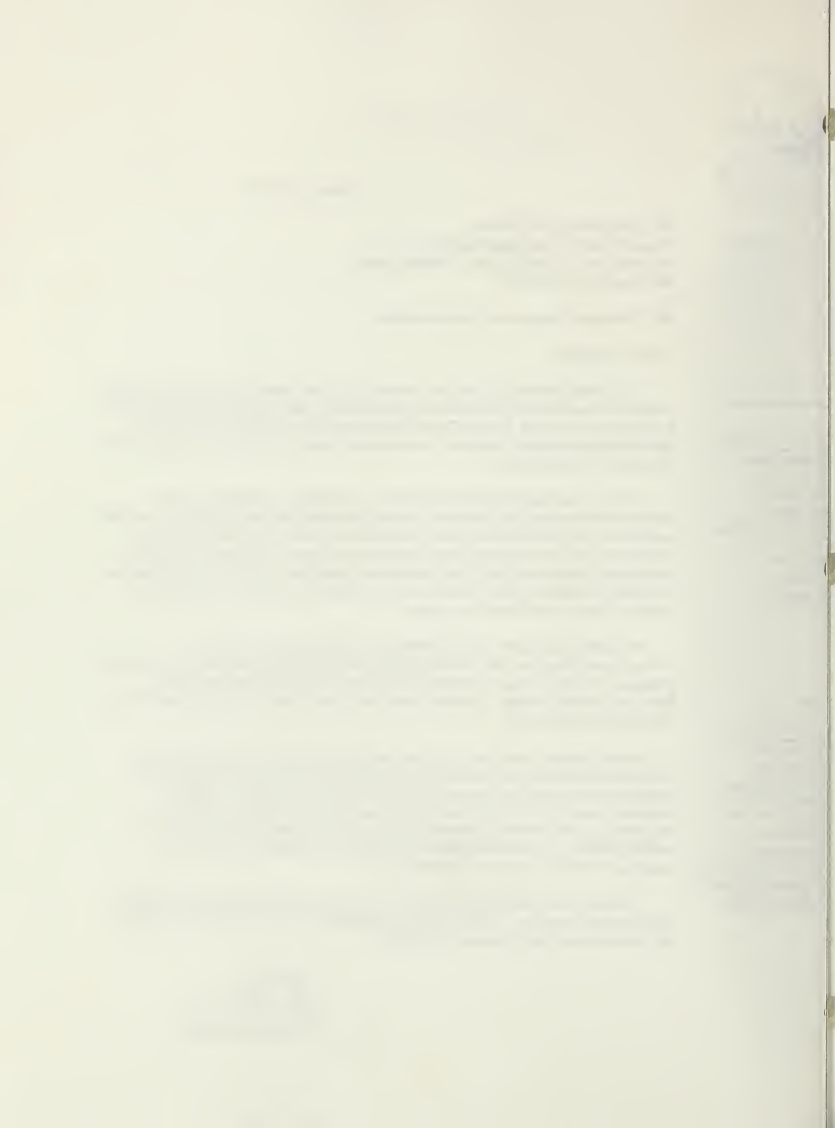
By treating stormwater runoff, providing wildlife habitat and fostering environmental education, the Treasure Island wetlands will help meet the goals of the San Francisco Bay-Delta Estuary comprehensive Conservation and Management Plan. Increasing the total acreage of wetland habitat will also further the implementation of the Baylands Ecosystem Goals.

We are pleased to note the inclusion of wetlands in the list of guidelines in the Preliminary Redevelopment Plan for Naval Station Treasure Island. As the planning process moves forward, we urge you to include in the land use plans and EIS/R a treatment wetland of sufficient size to treat a significant portion of the island's stormwater runoff, as well as functioning tidal system that includes both marsh and mudflat habitats. The wetlands should be located and configured in a way that maximizes wildlife value and visitor enjoyment.

The Joint Venture looks forward to sharing its resources to help make the Treasure Island wetlands a reality. We trust that you will share this important vision for making the island a more vibrant place to visit and live.

Sincerely,

John Steere, Director











AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Subject: Report on Management Plan for California
Engineering Contractors Laydown Site on
Treasure Island

Agenda Item No. 7
Meeting of February 9, 2000

Contact/Phone: Annemarie Conroy, Executive Director
Stephen Proud, Director of Development
274-0660

SUMMARY OF PROPOSED ACTION:

This item is an informational presentation and discussion of a management plan for California Engineering Contractors (CEC) use of a laydown site on Treasure Island.

BACKGROUND

At the January 2000 meeting of the Treasure Island Development Authority, the Board authorized the Executive Director to enter into a sublease for lay down space on Treasure Island. However, Authority Board members requested the creation of a management plan (to be attached as Exhibit D to the sublease) that outlined the operational terms for the lay down space. Staff has worked with CEC to develop a plan which addresses the issues raised by the Authority Board and a copy of the plan is attached as Exhibit A.

Exhibit A - Proposed Management Plan

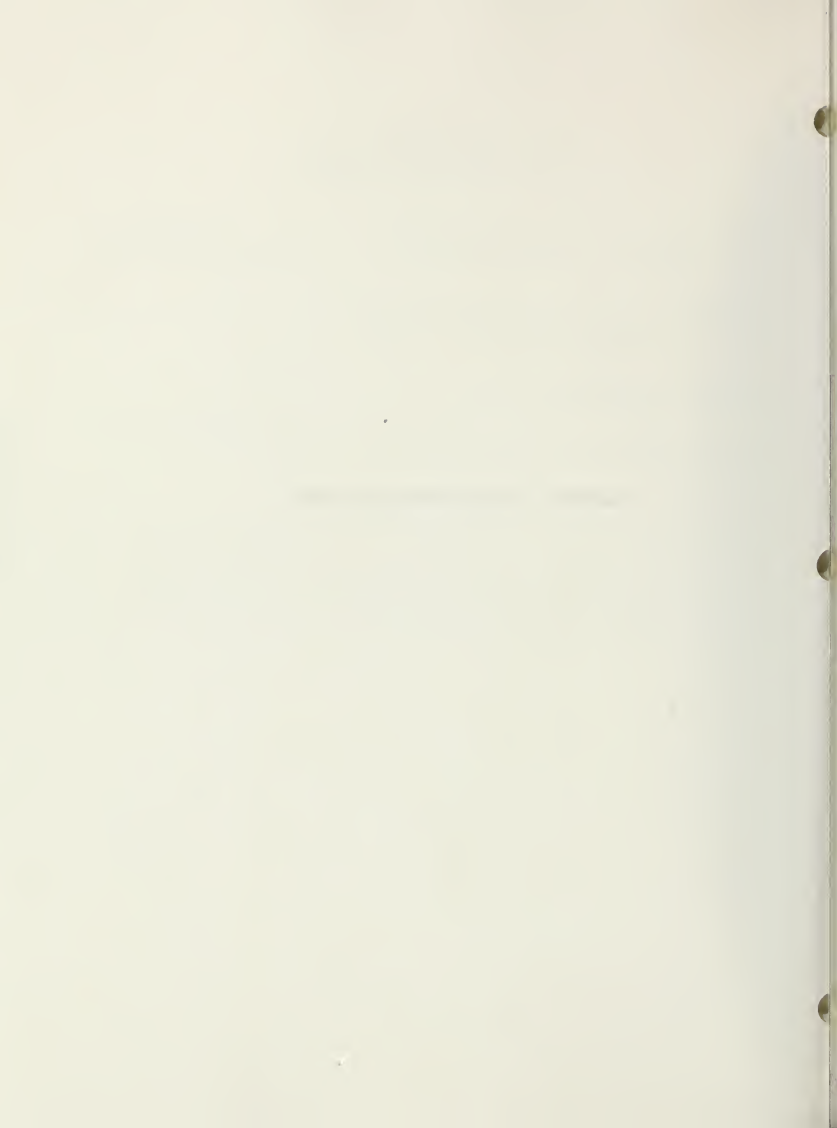


Exhibit D

Proposed Management Plan

This management plan is for California Engineering Contractor's operation of a lay down yard on Treasure Island. The management plan is intended to address operational issues associated with the lay down yard, including the intended use of the site, hours of operation, site design and layout, and general responsibilities of the subtenant with regard to operations at Treasure Island.

Proposed Uses

Proposed uses at the site are limited to the following:

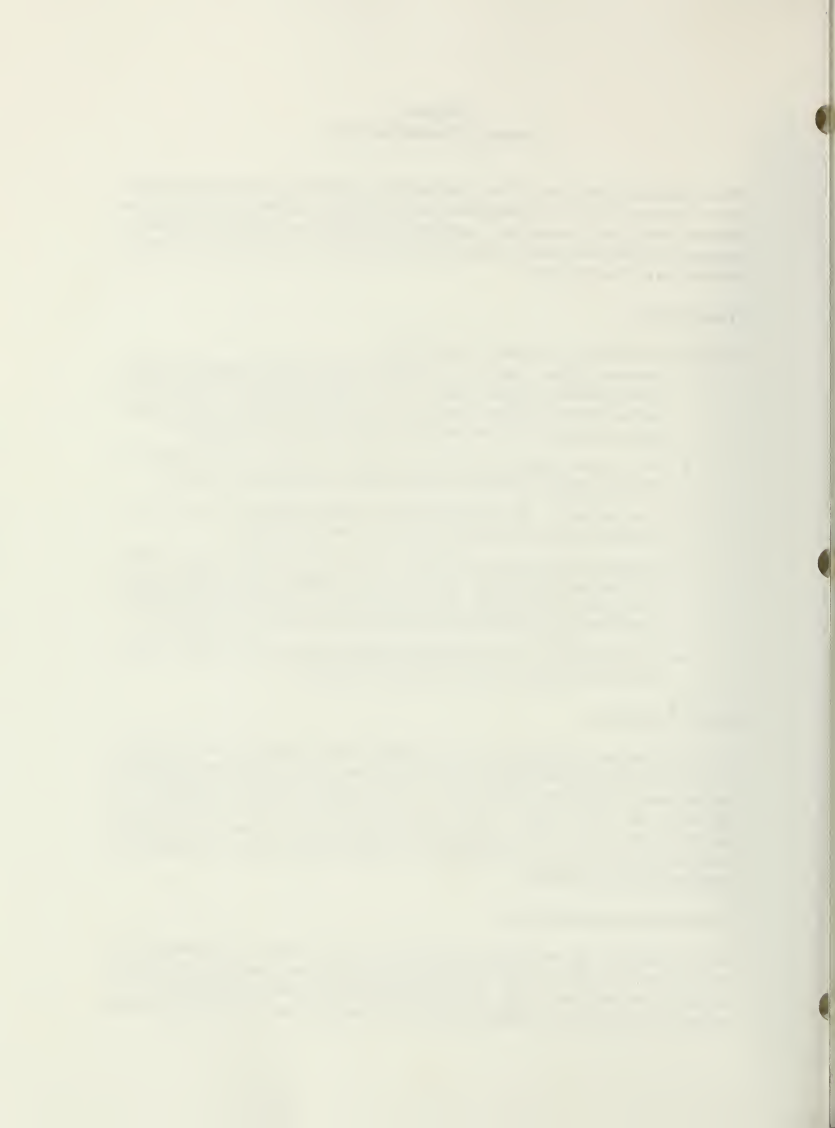
- ♦ *Temporary Office Complex:* The office complex will be comprised of several modular trailers coupled together. The complex will serve as the on-site location for various office related functions associated with the retrofit project and would serve as the work location for approximately 25 employees.
- ♦ *Delivery and Storage of Materials:* The site will serve as the delivery and storage location for fabricated steel and paint used in the retrofit project.
- ♦ *Crew Assembly:* The site would serve as central location for work crews to assemble before being dispatched to the job site on the Bridge.
- ♦ *Equipment Maintenance and Storage:* The site will be used to store vehicles and equipment associated with the project, including bucket trucks, cranes, boom trucks, forklifts, crew trucks and compressors. In addition, the site may be used for general maintenance and repairs on the vehicles and equipment.
- ♦ *On-Site Refueling:* The existing fuel storage tank on the site will be used to store diesel fuel and to refuel vehicles and equipment.

Hours of Operation

For on site functions, including the office complex, the yard operations, and the delivery of materials (fabricated steel), the hours of operation will generally occur during the daylight hours ranging from 7am to 7pm. Crew assembly for work on the Bridge will generally occur at two times - once in the evening at around 9pm and again in the morning at around 6am. On-site security will be provided on a 24 hour basis. Material deviations from these hours of operation will require the prior written consent of the Authority's Executive Director.

Traffic and Road Maintenance

Traffic to and from the site, including the delivery of steel and the disbursement of the steel and the work crews to the job site will be along a prescribed path of travel as outlined in the sublease. There are approximately 450 loads of steel which will be delivered to the site over the three year term of the sublease, and the distribution of that



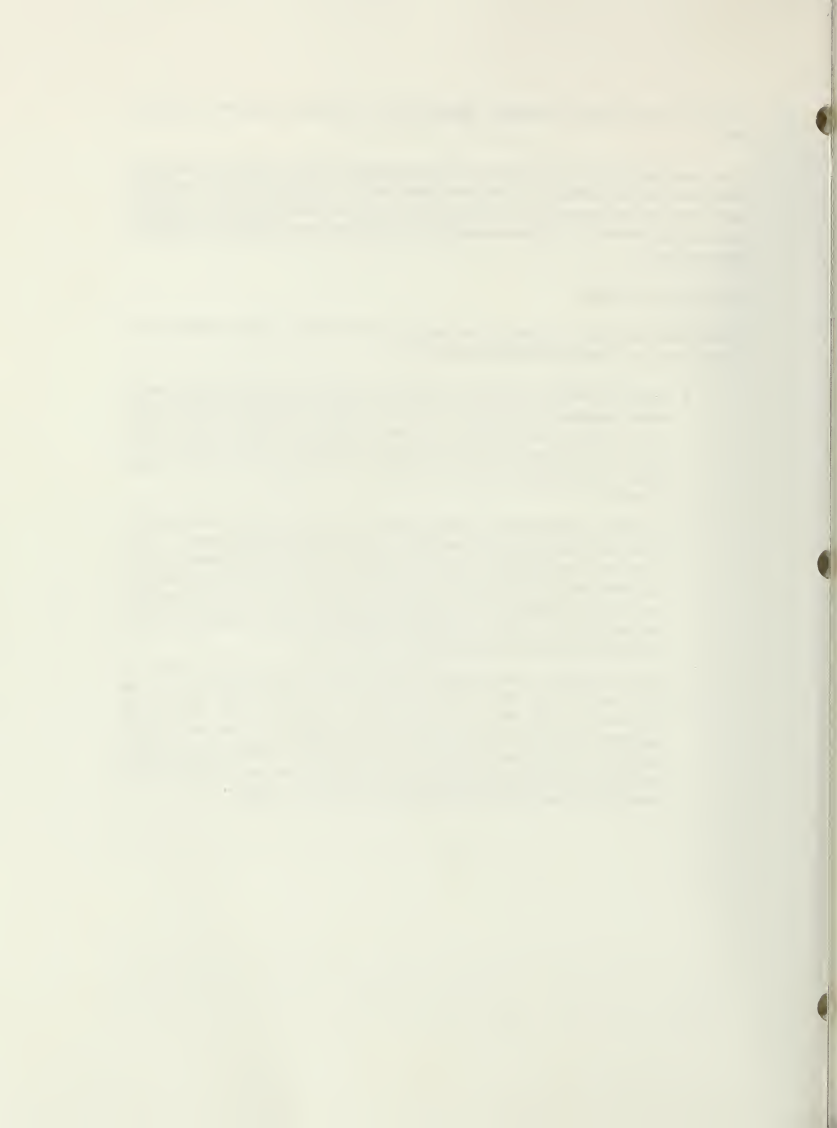
product to the work site will require approximately 1,550 loads or about ten trips per week.

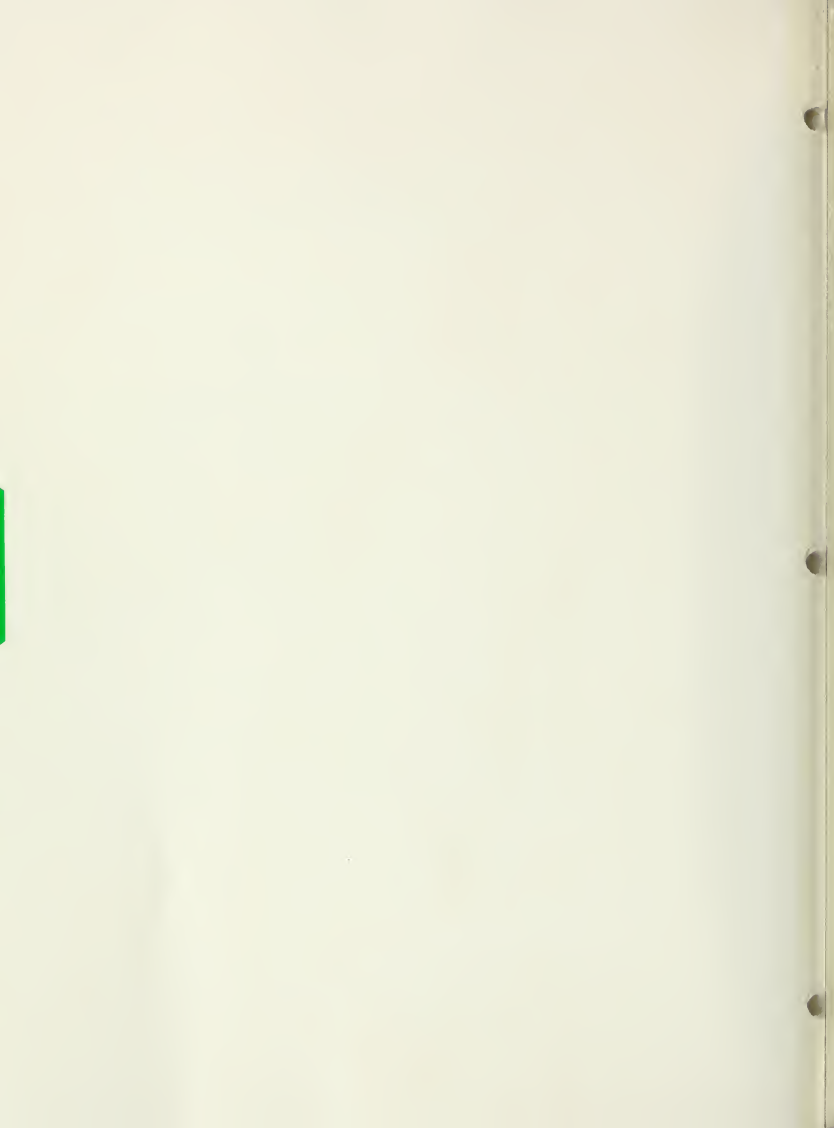
In the event that the delivery of steel or the redistribution of steel to the job site results in damages to the road network on Treasure Island and/or Yerba Buena Island, including tracking of dirt and debris from the lay down yard onto surrounding streets, California Engineering Contractors will be responsible for repairs and street cleaning required by their activities.

Site Design and Layout

The lay down area will be utilized in the manner set forth in the site plans attached to the sublease with the following additional conditions:

- ♦ *Fencing and Screening:* CEC will screen the site from surrounding areas to reduce negative visual impacts. This includes the siting of the office complex on the northern end of the site, the use of a landscaped berm on the eastern edge of the site, the addition of landscaping elements, and the erection of an 8' fence with screening, which includes slats integrated with the fencing material.
- ♦ *Lighting:* Although certain activities may be preformed in the evenings, most of the activity at the site is expected to occur during daylight hours. To the extent they are needed to support the operation, lighting may be installed at the lay down yard, including on the proposed office complex. These lights must be contained within the site and light standards may not be taller than the proposed office complex. The lights must be directed into the site, thereby minimizing the effect of the lighting on adjacent areas.
- ♦ *Material Storage:* The storage of materials shall be conducted in such a way as to minimize the visual effects on surrounding areas. While some of the equipment is expected to be visible from outside the yard, the materials delivered to the site must be stored in such a manner as to not exceed the 8' height of the fence (referenced above). In addition, materials may be stored on the eastern and southern edges of the site, however no materials may be stored in the areas immediately adjacent to the office complex.





**TREASURE ISLAND DEVELOPMENT AUTHORITY
City and County of San Francisco**

Agenda Item No. 9

Meeting of February 9, 2000

Subject: Resolution authorizing the Authority for an extension of a month-to-month sublease with W. Wong Construction for Building 62

Contact/Phone: Annemarie Conroy, Executive Director
Daniel Hwang, Development Specialist
274-0660

SUMMARY OF PROPOSED ACTION

Staff is requesting the Authority to adopt a resolution to continue a month-to-month sublease with W. Wong Construction for the use of Building 62 on the same terms as the original sublease.

DISCUSSION

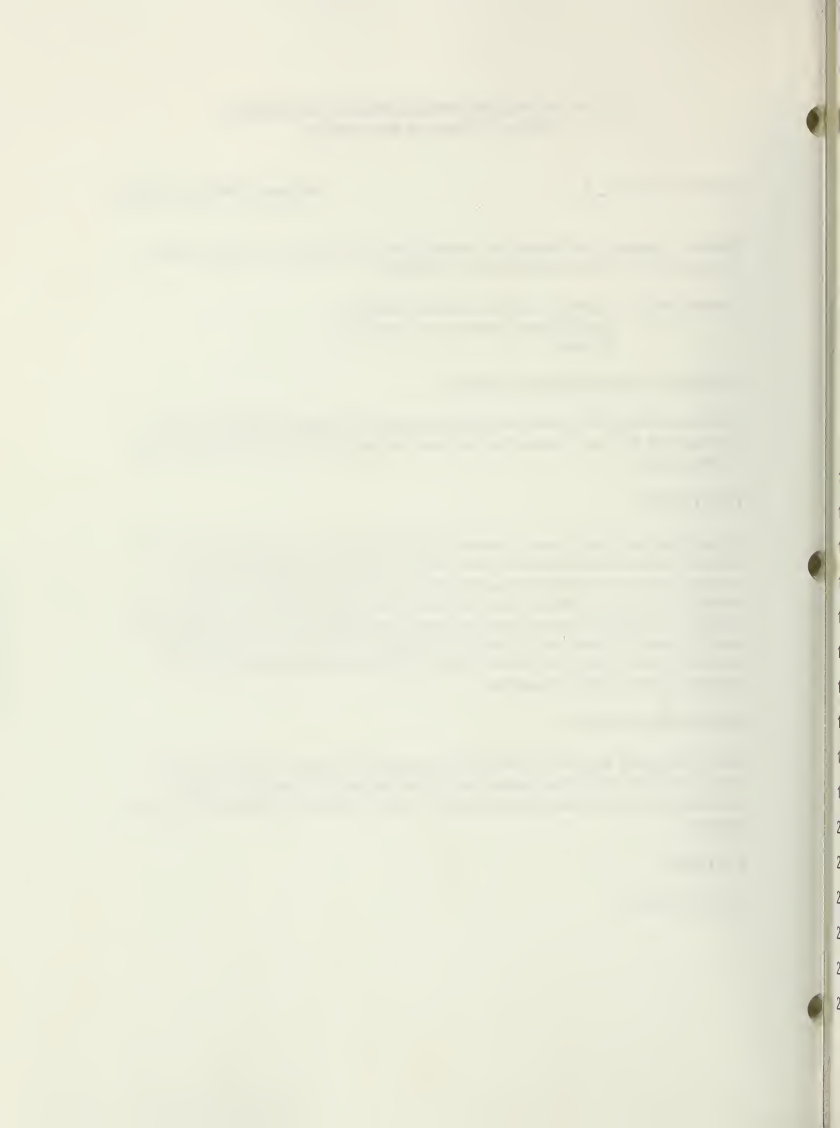
The sublease provides for use of a portion of Building 62 by W. Wong Construction for storage of office related equipment, files, records, and for no other purpose. The subtenant does not permit any persons to enter or occupy the premises, except for periodic access to the materials stored in the premises, as provided in section 6.2 of the sublease. The sublease is on a month-to-month. The monthly base rent is \$2,000 for the use of the space in Building 62. Under the Authority's Rules and Procedures for the transfer of Real Property, continuation of this Sublease on a month-to-month basis requires separate Authority approval.

RECOMMENDATION

Staff recommends approval for the Executive Director to continue a month-to-month sublease with W. Wong Construction for up to an additional six months. Further continuation of the sublease beyond August 31, 2000 would require additional Authority approval.

EXHIBITS

Original Sublease



FILE NO. _____

RESOLUTION NO. _____

1 [Continuation of Month-to-Month Sublease of Building 62]

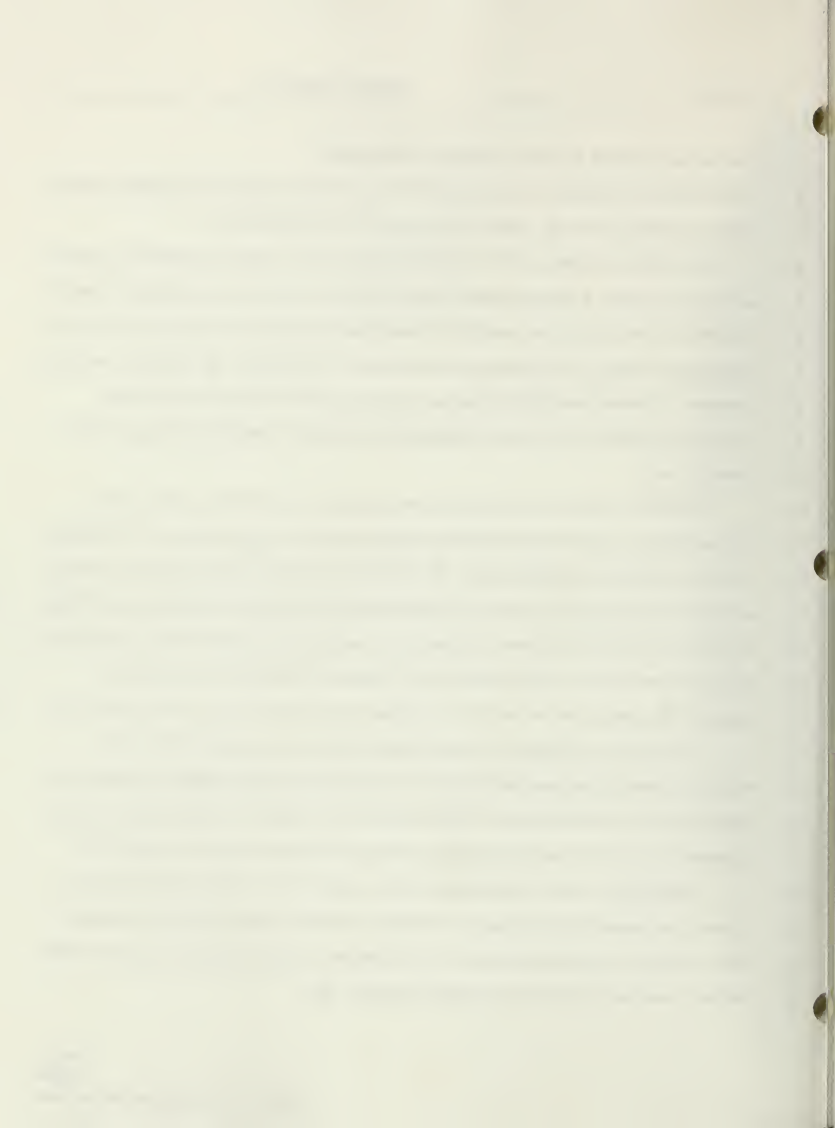
2 AUTHORIZING THE EXECUTIVE DIRECTOR TO EXTEND A MONTH-TO-MONTH LEASE
3 FOR BUILDING 62 WITH W. WONG CONSTRUCTION COMPANY INC.

4 WHEREAS, On May 2, 1997, the Board of Supervisors passed Resolution No. 380-97,
5 authorizing the Mayor's Treasure Island Project Office to establish a nonprofit public benefit
6 corporation known as the Treasure Island Development Authority (the "Authority") to act as a
7 single entity focused on the planning, redevelopment, reconstruction, rehabilitation, reuse and
8 conversion of former Naval Station Treasure Island (the "Base") for the public interest,
9 convenience, welfare and common benefit of the inhabitants of the City and County of San
10 Francisco; and,

11 WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended
12 Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter
13 1333 of the Statutes of 1968 (the "Act"), the California legislature (i) designated the Authority
14 as a redevelopment agency under California redevelopment law with authority over the Base
15 upon approval of the City's Board of Supervisors, and, (ii) with respect to those portions of the
16 Base which are subject to the Tidelands Trust, vested in the Authority the authority to
17 administer the public trust for commerce, navigation and fisheries as to such property;; and,

18 WHEREAS, The Tidelands Trust prohibits the sale of trust property into private
19 ownership, generally requires that Tidelands Trust property be accessible to the public and
20 encourages public-oriented uses of trust property that, among other things, attract people to
21 the waterfront, promote public recreation, protect habitat and preserve open space; and,

22 WHEREAS, In order to facilitate productive reuse and job creation on the Base, the
23 Authority has leased certain property on the Base, including, without limitation, Building 62
24 (the "Premises"), from the Navy and, in turn, subleases or sublicenses such property to third-
25 parties or uses such property for municipal purposes; and,



1 WHEREAS, On July 1, 1999, the Authority's Executive Director, acting under Section
2 10 of the Authority's Rules and Procedures for the Transfer and Use of Real Property,
3 adopted by the Authority on March 11, 1998 (the "Transfer Rules"), entered into a month-to-
4 month sublease (the "Sublease"), a copy of which is attached hereto as Exhibit A, with W.
5 Wong Construction Inc. ("Subtenant") for the use of a portion of the Premises for the storage
6 of files and records and office related equipment, at a rental rate of Two Thousand Dollars
7 (\$2,000) per month; and,

8 WHEREAS, Under Section 10 of the Transfer Rules, even a month-to-month sublease
9 has to be separately approved by the Authority if the cumulative term of such sublease
10 exceeds six months; and,

11 WHEREAS, Subtenant wishes to continue its occupancy of the Premises on a month-
12 to-month basis for at least another six months; Now, therefore, be it,

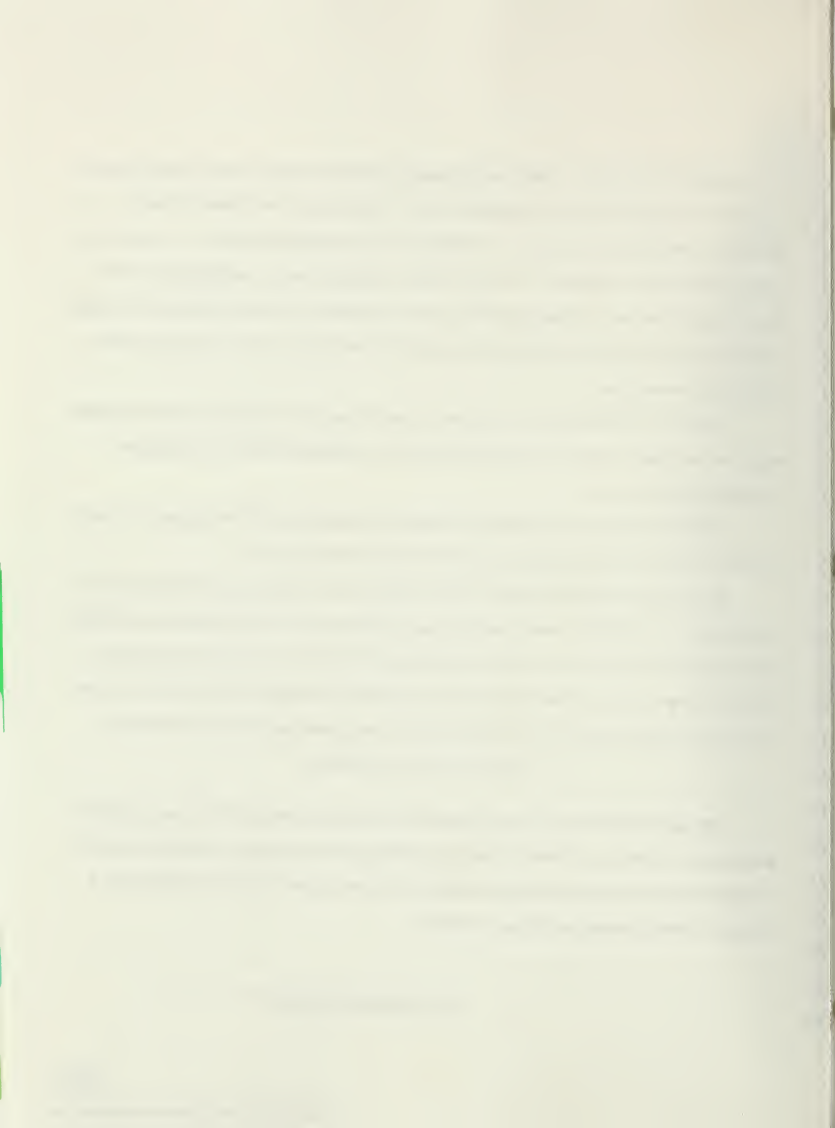
13 RESOLVED, That the Authority hereby approves and authorizes the continuation of
14 the Sublease on a month-to-month basis for up to another six months, provided that nothing
15 herein shall limit the Authority's ability to terminate the Sublease on thirty days notice as
16 provided therein, and provided further that any continued occupancy of the Premises under
17 the Sublease past August 31, 2000 shall require the separate approval of the Authority.

18 **CERTIFICATE OF SECRETARY**

19 *I hereby certify that I am the duly elected and acting Secretary of the Treasure Island*
20 *Development Authority, a California nonprofit public benefit corporation, and that the above*
21 *Resolution was duly adopted and approved by the Board of Directors of the Authority at a*
22 *properly noticed meeting on February 9, 2000.*

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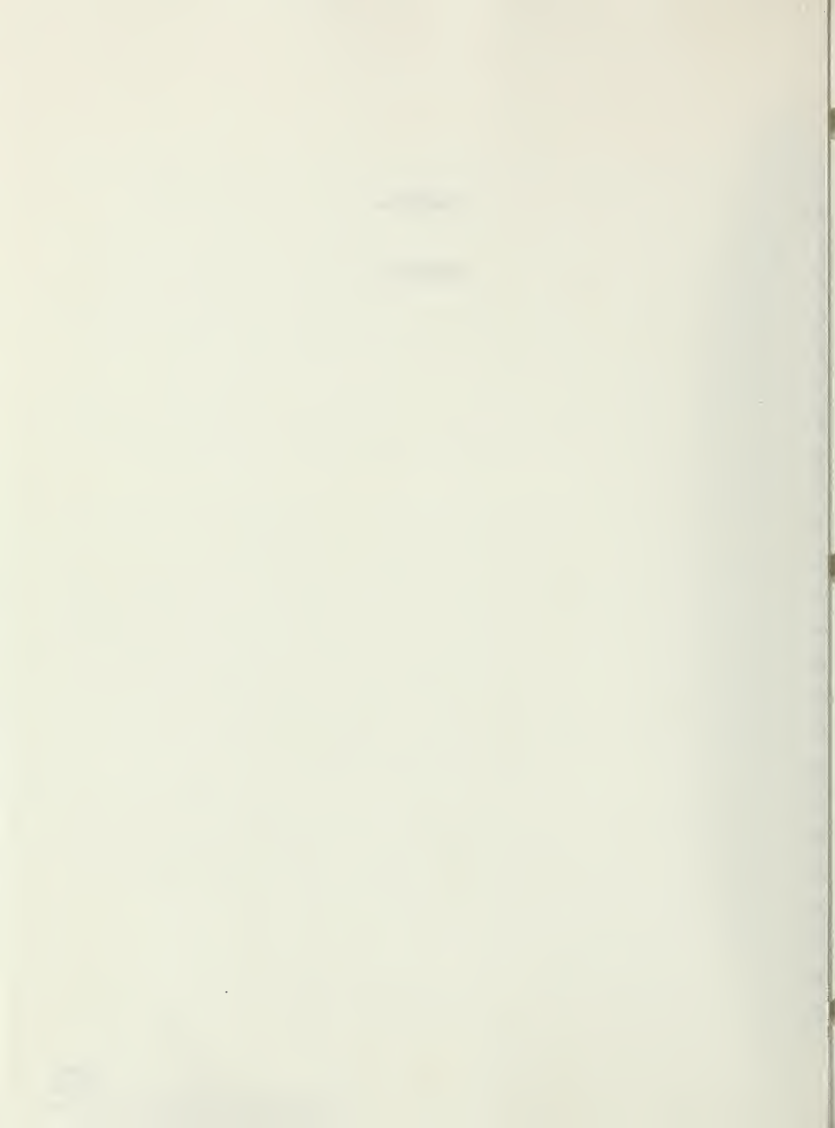
John Elberling, Secretary



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EXHIBIT A

SUBLEASE



SUBLEASE

between

THE TREASURE ISLAND DEVELOPMENT AUTHORITY

as Sublandlord

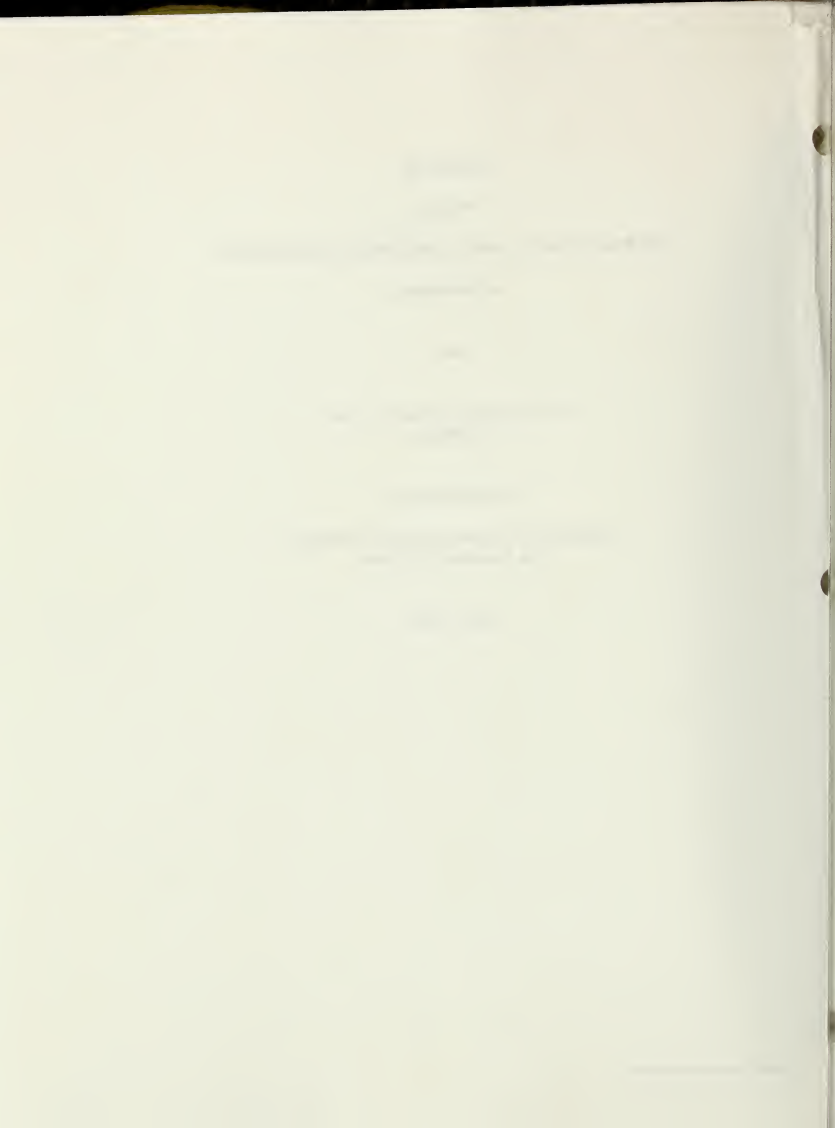
and

**W Wong Construction Co., Inc.
as Subtenant**

For the Sublease of

**Building 62 at Treasure Island Naval Station
San Francisco, California**

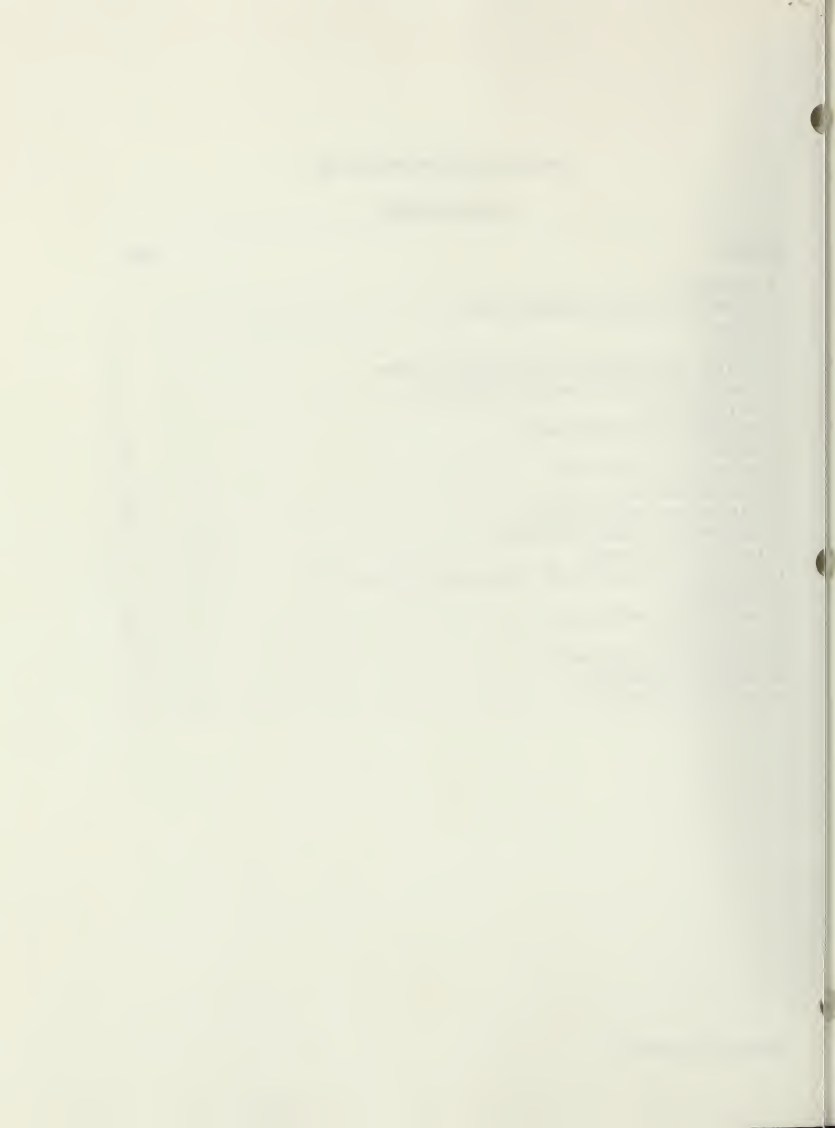
July 1, 1999



TREASURE ISLAND SUBLEASE

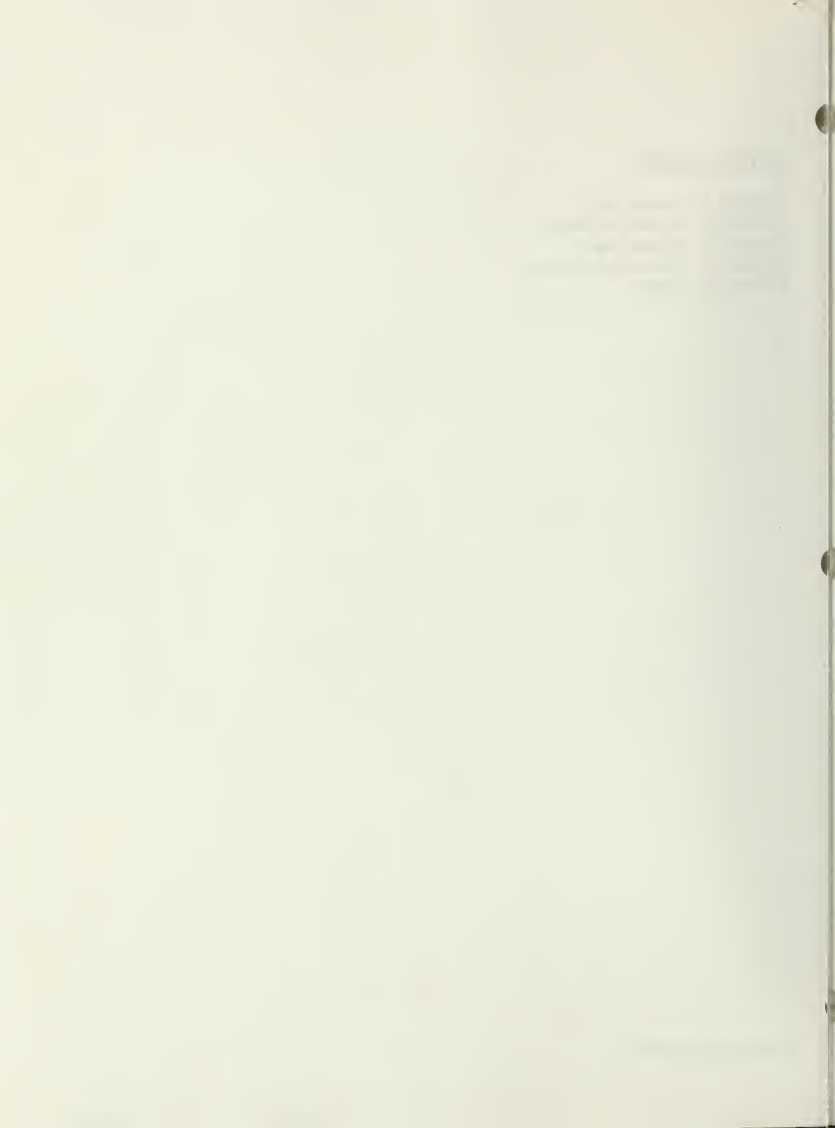
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LIST OF EXHIBITS:

EXHIBIT A -- Master Lease
EXHIBIT B -- Drawing of Premises
EXHIBIT C -- Seismic Report
EXHIBIT D -- Rules and Regulations
EXHIBIT E -- Utilities



TREASURE ISLAND SUBLEASE

THIS SUBLEASE (the "Sublease"), dated for reference purposes only as of July 1, 1999, is by and between the Treasure Island Development Authority ("Sublandlord" or "Authority") and W. Wong Construction Co., Inc., a California corporation ("Subtenant"). From time to time, Sublandlord and Subtenant together shall be referred to herein as the "Parties".

This Sublease is made with reference to the following facts and circumstances:

A. The United States of America, acting by and through the Department of Navy ("Master Landlord") and Sublandlord entered into a lease (the "Master Lease"), a copy of which is attached hereto as Exhibit A, under which the Master Landlord leased to Sublandlord Building 62 (the "Building") located on Naval Station Treasure Island (the "Property"), together with a non-exclusive right to use certain parking adjacent to the Building, but no other (the "Parking"), all as more particularly shown on Exhibit B attached hereto (together, the "Premises").

B. Subtenant desires to sublet all of the Premises from Sublandlord and Sublandlord is willing to sublet the Premises to Subtenant on the terms and conditions contained in this Sublease.

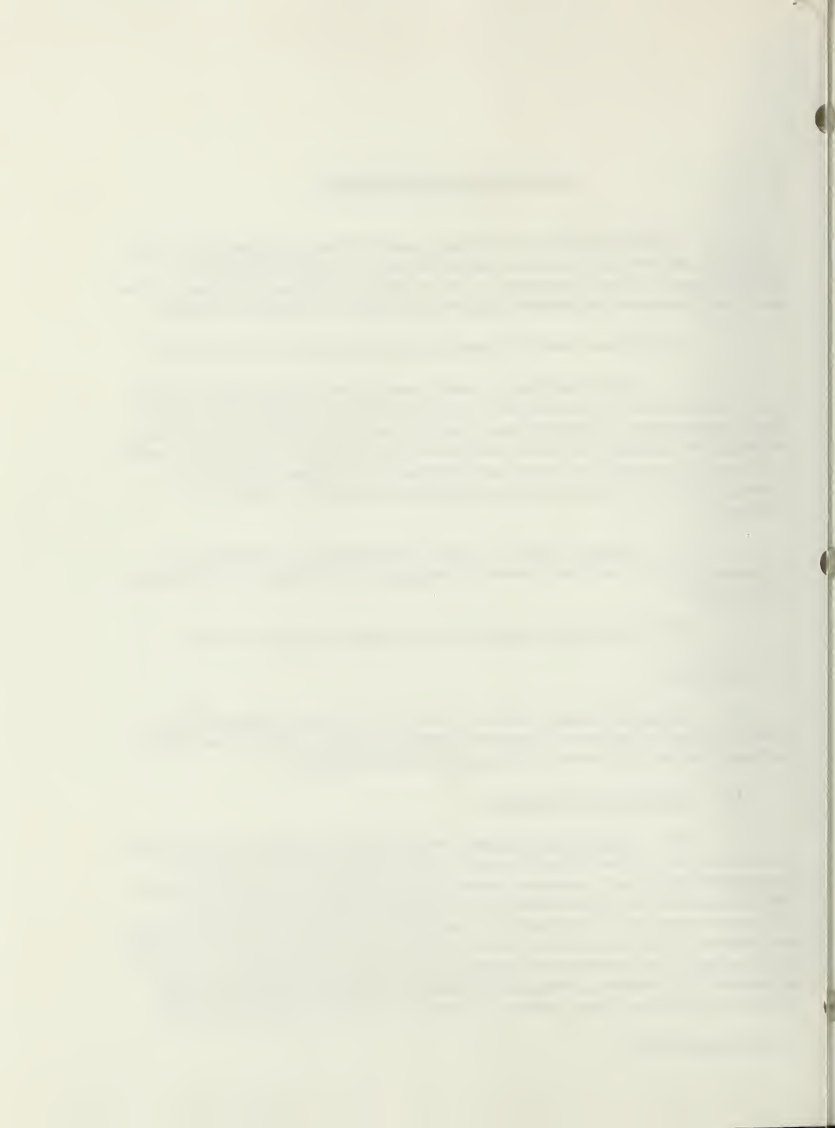
NOW THEREFORE, Sublandlord and Subtenant hereby agree as follows:

1. PREMISES

1.1. Subleased Premises. Subject to the terms, covenants and conditions of this Sublease, Sublandlord subleases to Subtenant the Premises, including the improvements thereon and the non-exclusive right to use the Parking, all as shown on Exhibit B.

1.2. As Is Condition of Premises.

(a) Inspection of Premises. Subtenant represents and warrants that Subtenant has conducted a thorough and diligent inspection and investigation, either independently or through its officers, directors, employees, agents, affiliates, subsidiaries, licensees and contractors, and their respective heirs, legal representatives, successors and assigns, and each of them, ("Subtenant's Agents") of the Premises and the suitability of the Premises for Subtenant's intended use. Subtenant is fully aware of the needs of its operations and has determined, based solely on its own investigation, that the Premises are suitable for its operations and intended uses. As part of its inspection of the Premises, Subtenant acknowledges its receipt and review of the Seismic Report and the Structural Report referenced in Section 1.2(c) below and the Joint Inspection



Report referenced in Section 6 of the Master Lease. Subtenant further represents and acknowledges that Subtenant has conducted independent investigations by qualified professionals which determined that the load bearing capacity of the floors in the Building are sufficient to support the materials to be stored therein pursuant to this Sublease.

(b) **As Is; Disclaimer of Representations.** Subtenant acknowledges and agrees that the Premises are being subleased and accepted in their "AS IS, WITH ALL FAULTS" condition, without representation or warranty of any kind, and subject to all applicable laws, statutes, ordinances, resolutions, regulations, proclamations, orders or decrees of any municipal, county, state or federal government or other governmental or regulatory authority with jurisdiction over the Premises, or any portion thereof, whether currently in effect or adopted in the future and whether or not in the contemplation of the Parties, including without limitation the orders and citations of any regulatory authority with jurisdiction over life and safety issues concerning the Premises ("Laws") governing the use, occupancy, management, operation and possession of the Premises. Without limiting the foregoing, this Sublease is made subject to any and all covenants, conditions, restrictions, easements and other title matters affecting the Premises, or any portion thereof, whether or not of record. Subtenant acknowledges and agrees that neither Sublandlord nor any of its officers, directors, employees, agents, affiliates, subsidiaries, licensees and contractors, and their respective heirs, legal representatives, successors and assigns ("Sublandlord's Agents") have made, and Sublandlord hereby disclaims, any representations or warranties, express or implied, concerning (i) title or survey matters affecting the Premises, (ii) the physical, geological, seismological or environmental condition of the Premises, including, without limitation, the matters described in the Seismic Report (as defined below) (iii) the quality, nature or adequacy of any utilities serving the Premises, (iv) the feasibility, cost or legality of constructing any Alterations on the Premises if required for Subtenant's use and/or otherwise permitted under this Sublease, (v) the safety of the Premises, whether for the use of Subtenant or any other person, including Subtenant's Agents or Subtenant's clients, customers, vendors, invitees, guests, members, licensees, assignees or subtenants ("Subtenant's Invitees"), or (vi) any other matter whatsoever relating to the Premises or their use, including, without limitation, any implied warranties of merchantability or fitness for a particular purpose.

(c) **Seismic Report.** Without limiting Section 1.2 (b) above, Subtenant expressly acknowledges for itself and Subtenant's Agents that it received and read that certain report dated August 1995, entitled "*Treasure Island Reuse Plan: Physical Characteristics, Building and Infrastructure Conditions,*" prepared for the Office of Military Base Conversion, Department of City Planning, and the Redevelopment Agency of the City and County of San Francisco, (the "Seismic Report"), a copy of the cover page of which is attached hereto as Exhibit C. Subtenant has had an adequate opportunity to review the Seismic Report with expert consultants of its own choosing. The Seismic Report, among other matters, describes the conditions of the soils on the Property and affecting the Building and points out that in the area of the Property where the Premises are located, an earthquake of magnitude 7 or greater is likely to cause the ground under and around the Premises to spread laterally to a distance of ten (10) or

more feet and/or result in other risks. In that event, there is a significant risk that the Building and any other structures or improvements located on or about the Premises, may fail structurally and collapse.

2. COMPLIANCE WITH MASTER LEASE

2.1. Incorporation by Reference. All of the terms and conditions of the Master Lease are hereby incorporated by reference into this Sublease as if fully set forth herein

2.2. Conflict. If any of the provisions of this Sublease conflict with any portion of the Master Lease as incorporated herein, then for purposes of determining the rights and obligations of the Sublandlord and the Subtenant insofar as they relate to one another, the terms of the Master Lease shall govern.

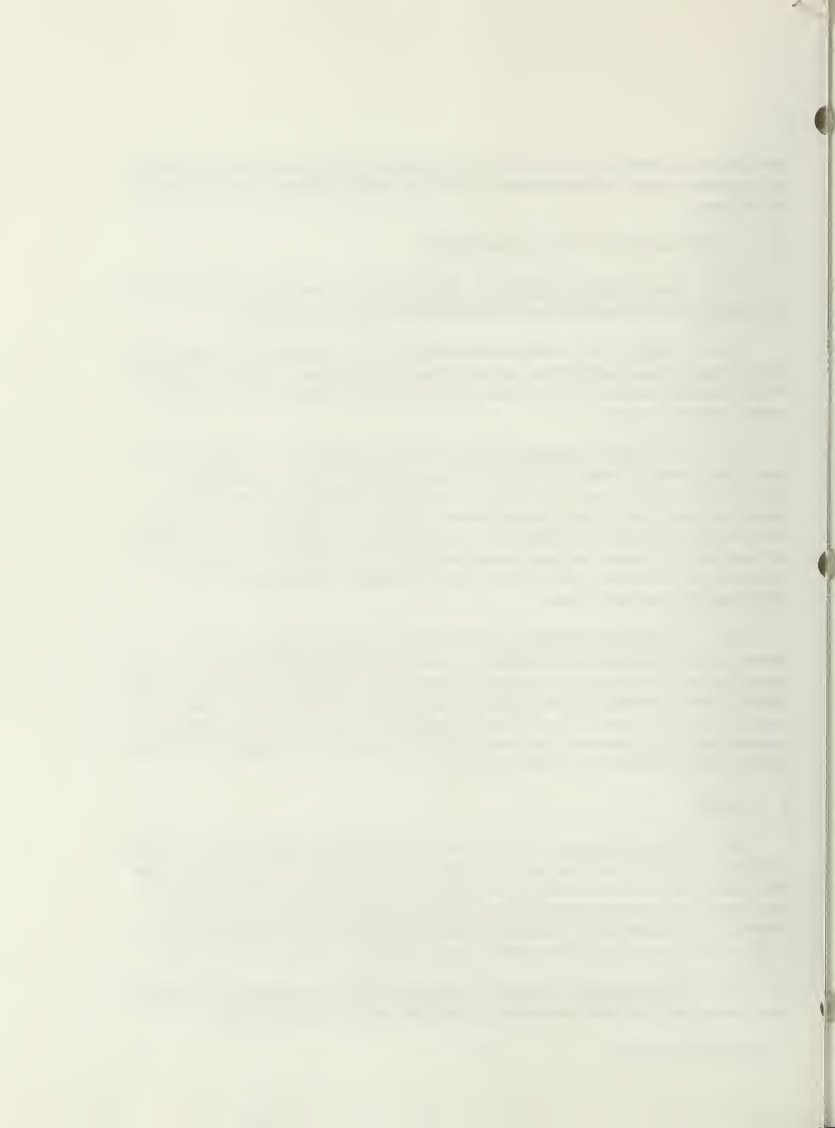
2.3. Compliance with Master Lease. Subtenant shall not do or permit to be done anything which would constitute a violation or a breach of any of the terms, conditions or provisions of the Master Lease or which would cause the Master Lease to be terminated or forfeited by virtue of any rights of termination reserved by or vested in the Master Landlord. Subtenant shall cooperate with Sublandlord as may be required to obtain from Master Landlord any work, services, repairs, repainting, restoration, the provision of utilities, ventilation or air-conditioning services, or the performance of any of Sublandlord's or Master Landlord's obligations under the Master Lease.

2.4. Automatic Termination. If the Master Lease terminates for any reason whatsoever, this Sublease shall automatically terminate and the Parties shall thereafter be relieved from all liabilities and obligations under this Sublease, except for liabilities and obligations which expressly survive termination of this Sublease. Subtenant acknowledges and agrees that it has reviewed the Master Lease, is aware of the circumstances upon which the Master Lease may be terminated and hereby assumes all risks associated with the automatic termination of this Sublease because of the termination of the Master Lease.

3. TERM

3.1. Term of Sublease. The term of this Sublease shall commence on July 1, 1999 (the "Commencement Date") and continue on a month-to-month basis until either party elects, in its respective sole and absolute discretion, to terminate this Sublease by giving the other party at least thirty (30) days written notice, unless sooner terminated pursuant to the terms of this Sublease. Notwithstanding the foregoing, the Sublease shall not extend beyond December 31, 1999 and Subtenant may not hold over or otherwise occupy the Premises beyond such date.

3.2. Effective Date. This Sublease shall become effective on the date (the "Effective Date") upon which the Parties hereto have duly executed and delivered this Sublease.



4. RENT

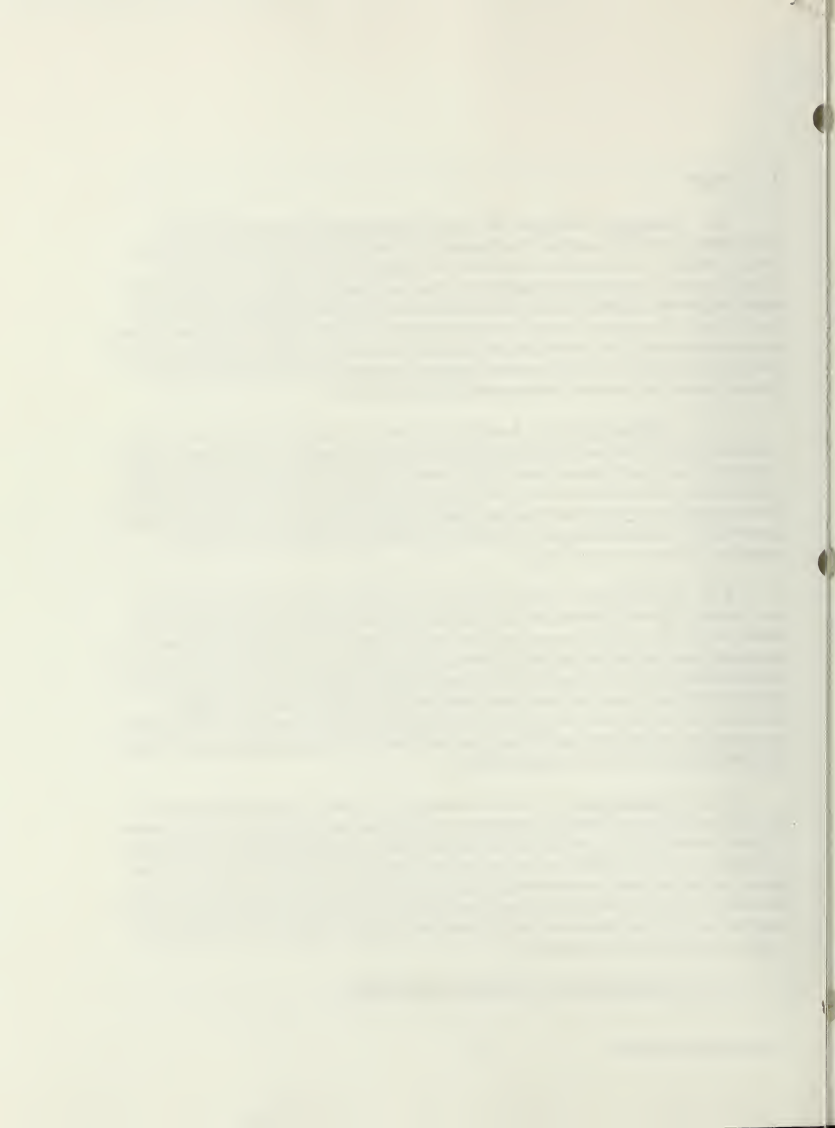
4.1. **Base Rent.** Throughout the Term, beginning on the Commencement Date, Subtenant shall pay to Sublandlord Two Thousand Dollars (\$2,000.00) per month (the "Base Rent"). Base Rent shall be paid to the Sublandlord without prior demand and without any deduction, setoff, or counterclaim whatsoever. Base Rent shall be payable on or before the first day of each month, in advance, at the Notice Address of Sublandlord provided in Section 20.1 hereof or such other place as Sublandlord may designate in writing. If the Commencement Date occurs on a date other than the first day of a calendar month, or the Sublease terminates on a day other than the last day of a calendar month, then the monthly payment of Base Rent for such fractional month shall prorated based on a thirty (30) day month.

4.2. **Additional Charges.** In addition to Base Rent, Subtenant shall pay any and all real property taxes, possessory interest taxes and other costs, impositions and expenses related to Subtenant's use of the Premises, plus all other charges related to the Premises otherwise payable by Subtenant to Sublandlord hereunder, including, without limitation, all late charges and default interest attributable to late payments and/or defaults of Subtenant hereunder and all utility charges (together, the "Additional Charges"). Together, Base Rent and Additional Charges shall hereinafter be referred to as the "Rent".

4.3. **Late Charge.** If Subtenant fails to pay any Rent within ten (10) days after the date the same is due and payable, such unpaid amount will be subject to a late payment charge equal to six percent (6%) of the unpaid amount in each instance. The late payment charge has been agreed upon by Sublandlord and Subtenant, after negotiation, as a reasonable estimate of the additional administrative costs and detriment that Sublandlord will incur as a result of any such failure by Subtenant, the actual costs thereof being extremely difficult if not impossible to determine. The late payment charge constitutes liquidated damages to compensate Sublandlord for its damages resulting from such failure to pay and Subtenant shall promptly pay such charge to Sublandlord together with such unpaid amount.

4.4. **Default Interest.** If any Rent is not paid within ten (10) days following the due date, such unpaid amount shall bear interest from the due date until paid at the rate of the greater of the ten percent (10%) or the interest rate in effect which has been established by the Secretary of Treasury pursuant to Public Law, as described in Section 32 of the Master Lease. However, interest shall not be payable on late charges incurred by Subtenant nor on any amounts on which late charges are paid by Subtenant to the extent this interest would cause the total interest to be in excess of that which an individual is lawfully permitted to charge. Payment of interest shall not excuse or cure any default by Subtenant.

5. TAXES, ASSESSMENTS AND OTHER EXPENSES



5.1. Taxes and Assessments, Licenses, Permit Fees and Liens.

(a) **Payment Responsibility.** Subtenant shall pay any and all real and personal property taxes, including, but not limited to, possessory interest taxes, general and special assessments, excises, licenses, permit fees and other charges and impositions of every description levied on or assessed against the Premises, any Alterations, Subtenant's Personal Property, or Subtenant's use of the Premises or any Alterations during the Term. Subtenant shall make all such payments directly to the charging authority when due and payable and at least ten (10) days prior to delinquency. However, with respect to real property taxes and assessments levied on or assessed against the Premises for which Sublandlord receives the tax bill directly from the taxing authority, Subtenant shall reimburse Sublandlord for payment of such sums immediately upon demand.

(b) **Taxability of Possessory Interest.** Without limiting the foregoing, Subtenant recognizes and agrees that this Sublease may create a possessory interest subject to property taxation and that Subtenant may be subject to the payment of property taxes levied on such interest.

(c) **No Liens.** Subtenant shall not allow or suffer a lien for any taxes payable by Subtenant hereunder to be imposed upon the Premises or upon any equipment or other property located thereon without discharging the same as soon as practicable, and in no event subsequent to delinquency.

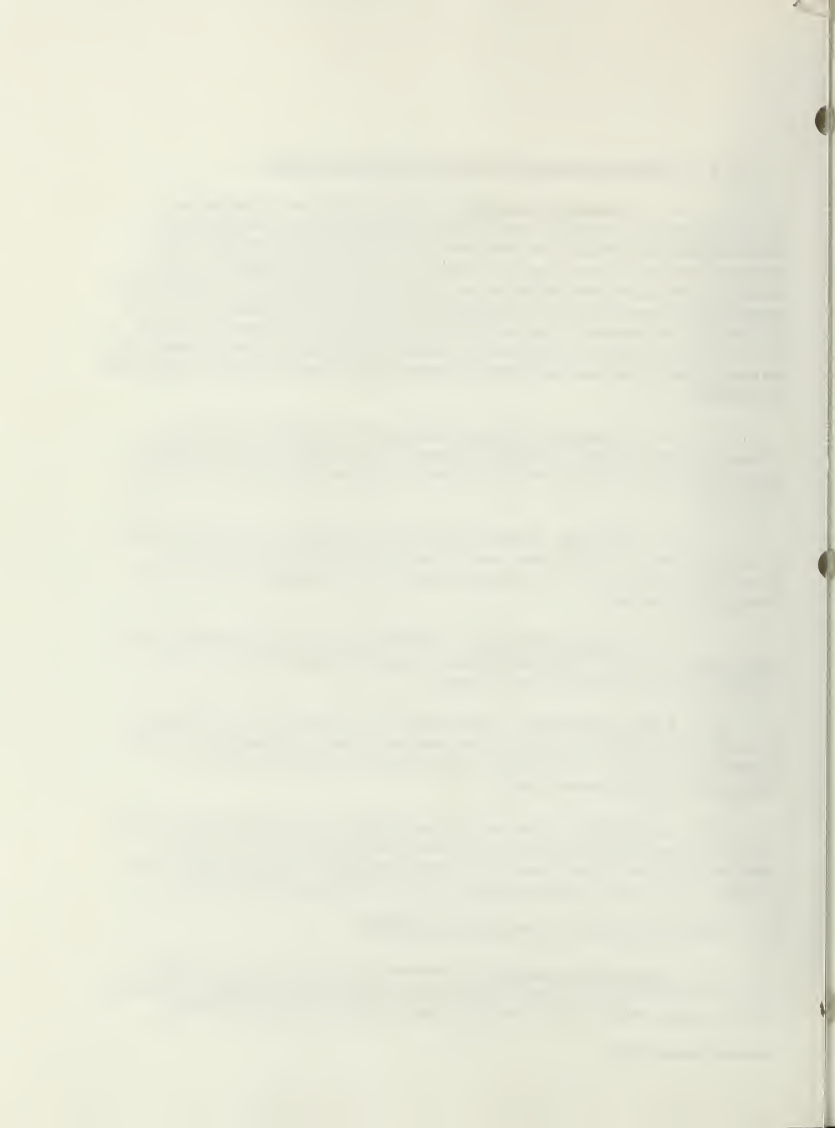
(d) **Reporting Information.** Subtenant agrees to provide such information as Sublandlord may request to enable Sublandlord to comply with any possessory interest tax reporting requirements applicable to this Sublease.

5.2. **Evidence of Payment.** Subtenant shall, upon Sublandlord's request, furnish to Sublandlord within ten (10) days after the date when any charges are due and payable, official receipts of the appropriate taxing authority or other evidence reasonably satisfactory to Sublandlord, evidencing payment thereof.

5.3. **Other Expenses.** This is a "triple net" Sublease. Accordingly, Subtenant shall be responsible for any and all other charges, costs and expenses related to its use, occupancy, operation or enjoyment of the Premises or any Alterations permitted thereon, including, without limitation, the cost of any utilities, maintenance or services necessary for Subtenant's use.

6. USE; COVENANTS TO PROTECT PREMISES

6.1. **Subtenant's Permitted Use.** Subtenant may use the interior of the Building located on the Premises for storage of files and records and office related equipment only, and for no other purpose. BECAUSE OF CONCERNS REGARDING POTENTIAL SEISMIC



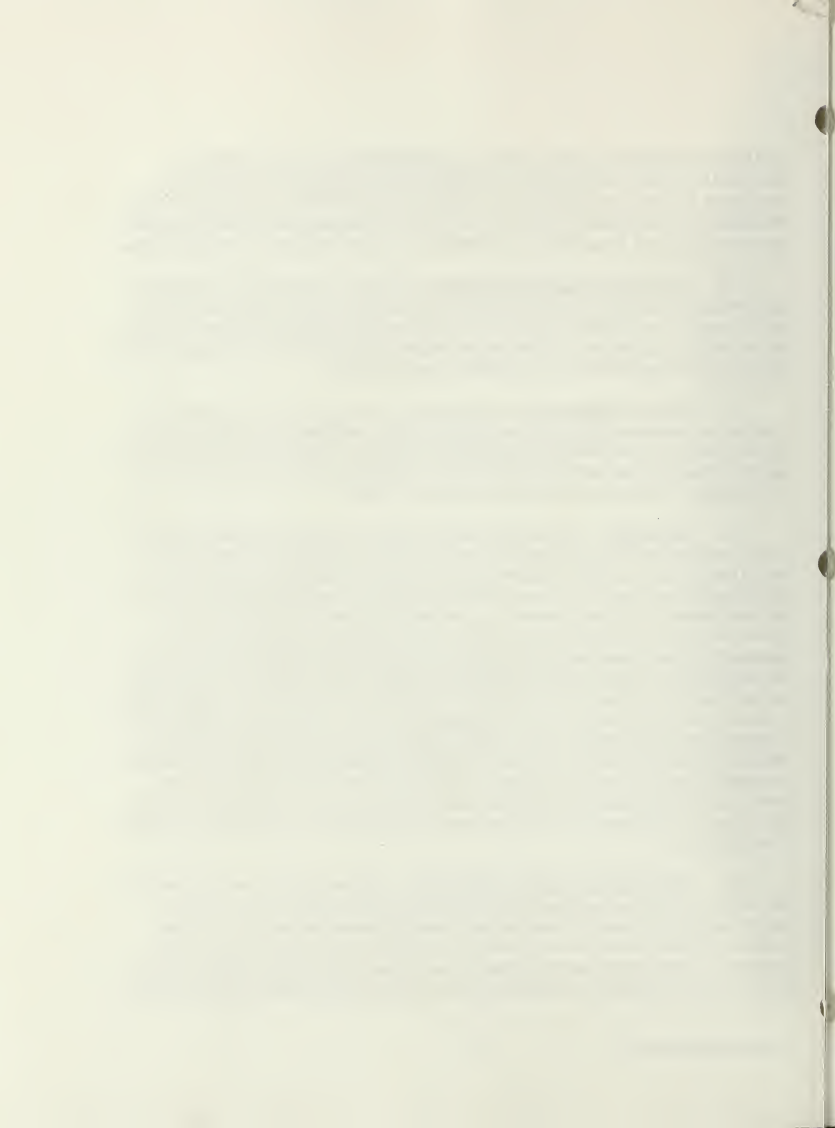
HAZARDS RELATED TO THE STRUCTURAL CONDITION OF THE PREMISES, SUBTENANT SHALL NOT PERMIT ANY PERSONS TO ENTER OR OCCUPY THE PREMISES, EXCEPT FOR PERIODIC ACCESS TO THE MATERIALS STORED IN THE PREMISES, AS PROVIDED IN SECTION 6.2 BELOW. Subtenant may use the parking areas described on Exhibit B for parking only. Any other use of such parking area is strictly prohibited.

6.2. Subtenant's Access to the Premises. Subtenant may not occupy the Premises. Subtenant will have access to the Premises only to add and remove materials contained therein and to ensure that such materials remain stored in a reasonably satisfactory condition. Subtenant may not perform any work on or related to such materials within the Premises, including, without limitation, any substantial review or cataloguing of such materials.

6.3. Rules and Regulations. Subtenant agrees to adhere to all rules and regulations regarding the Premises attached hereto as Exhibit D, and any additional rules regarding security, ingress, egress, safety and sanitation applicable to the Premises or the Property, as such rules and regulations may be prescribed by Master Landlord or Sublandlord from time to time and which are provided to Subtenant in advance of the enforcement thereof.

6.4. Easements. This Sublease shall be subject to all outstanding easements and rights-of-way for location of any type of facility over, across, in, and upon the Premises or any portion thereof, and to the right of Master Landlord to grant such additional easements and rights-of-way over, across, in and upon the Premises as Master Landlord shall determine to be in the public interest ("Additional Easements"), provided that, as provided in Section 28 of the Master Lease, Master Landlord shall use its best efforts to minimize any interference with Subtenant's operations hereunder caused by the granting of any such Additional Easements and the granting of such Additional Easements shall be conditioned on the assumption by the grantee thereof of liability to Subtenant for such damages as Subtenant shall suffer for property destroyed or property rendered unusable on account of the grantee's exercise of its rights thereunder. There is hereby reserved to the holders of such Additional Easements as are presently outstanding or which may hereafter be granted, to any workers officially engaged in the construction, installation, maintenance, operation, repair or replacement of facilities located thereon, and to any federal, state or local official engaged in the official inspection thereof, such reasonable rights of ingress and egress over the Premises as shall be necessary for the performance of their duties with regard to such facilities.

6.5. No Interference with Navy Operations. Subtenant shall not conduct operations, nor make any Alterations (as defined below), that would interfere with or otherwise restrict Master Landlord's operations or environmental clean-up or restoration actions by the Master Landlord, Sublandlord, the Environmental Protection Agency, the State of California or their contractors. Environmental clean-up, restoration or testing activities by these Parties shall take priority over the Subtenant's use of the Premises in the event of any conflict, provided, however,



in such event, Master Landlord and Sublandlord shall use their best efforts to minimize any disruption of Subtenant's operations hereunder.

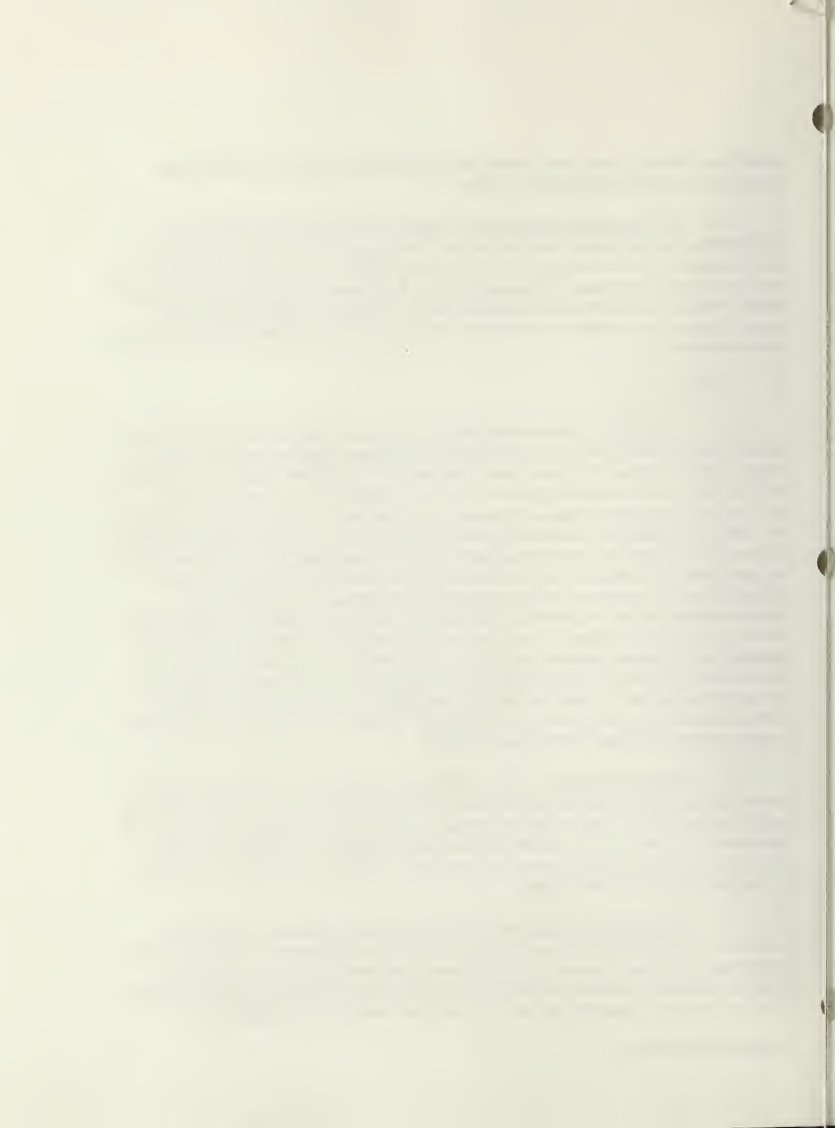
6.6. No Unlawful Uses, Nuisances or Waste. Without limiting the foregoing, Subtenant shall not use, occupy or permit the use or occupancy of any of the Premises in any unlawful manner or for any illegal purpose, or permit any offensive, noisy or hazardous use or any waste on or about the Premises. Subtenant shall take all precautions to eliminate any nuisances or hazards relating to its activities on or about the Premises. Subtenant shall not conduct any business, place any sales display, or advertise in any manner in areas outside the Premises or on or about the Property.

7. ALTERATIONS

7.1. Alterations. Subtenant shall not construct, install, make or permit to be made any alterations, installations or additions in, to or about the Premises (together, the "Alterations") without Sublandlord's prior written consent in each instance, which consent may given or withheld in Sublandlord's sole and absolute discretion. Subject to Sublandlord's consent as provided above, any Alterations shall be done at Subtenant's sole expense (i) in strict accordance with plans and specifications approved in advance by Sublandlord in writing, (ii) by duly licensed and bonded contractors or mechanics approved by Sublandlord, (iii) in a good and professional manner, (iv) in strict compliance with all Laws, and (v) subject to all other conditions that Sublandlord may reasonably impose. In no event shall the construction, installation or the making of any Alterations impair the use or operation of the Property, or any portion thereof, or Sublandlord's or Master Landlord's access thereto. Prior to the commencement of any work on the Premises to construct any Alterations, Subtenant, at its sole expense, shall procure all required permits and approvals and shall promptly upon receipt deliver copies of all such documents to Sublandlord. No material change from the plans and specifications approved by Sublandlord may be made without Sublandlord's prior consent. Sublandlord and Sublandlord's Agents shall have the right to inspect the course of such construction at all times.

7.2. Historic Properties. Without limiting the generality of the foregoing, Subtenant acknowledges and agrees that, pursuant to Section 15 of the Master Lease, no Alterations may be made to the Building (i) which will affect the historic characteristics of the Building or modify the appearance of the exterior of the Building without Master Landlord's and Sublandlord's prior written consent or (ii) if such Alterations would preclude qualifying the Building for inclusion on the National Register for Historic places.

7.3. Ownership of Alterations. Any Alterations constructed on or affixed to the Premises by or on behalf of Subtenant pursuant to the terms and limitations of this Section 7 shall be and remain Subtenant's property during the Term. Upon the termination of this Sublease, Subtenant shall remove all such Alterations from the Premises in accordance with the provisions of Section 18 hereof, unless Sublandlord, at its sole option and without limiting any of the



provisions of this Section 7, requires as a condition to approval of any such Alterations that such Alterations remain on the Premises following the expiration or termination of this Sublease or unless Sublandlord as a condition of such approval reserves the right to elect by notice to Subtenant not less than fifteen (15) days prior to the end of the Term to have such Alterations remain on the Premises.

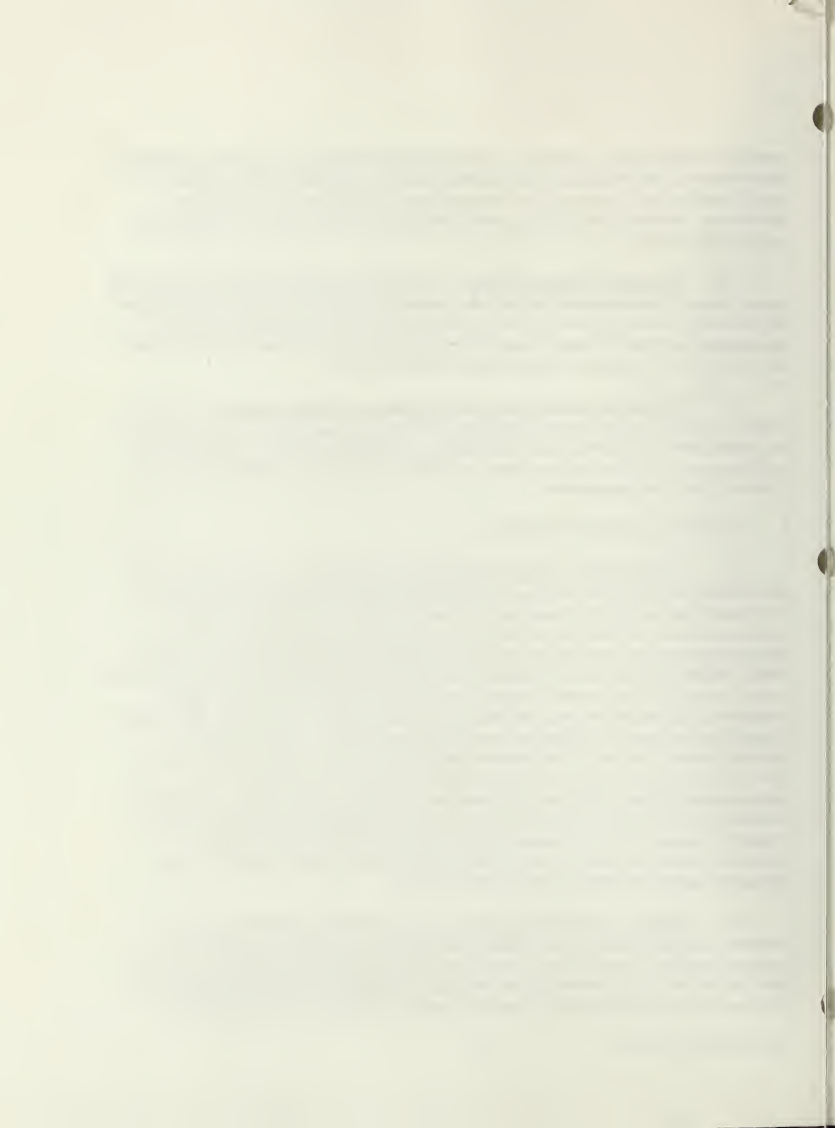
7.4. Subtenant's Personal Property. All furniture, furnishings and articles of movable personal property and equipment installed in the Premises by or for the account of Subtenant that can be removed without structural or other material damage to the Premises (all of which are herein called "Subtenant's Personal Property") shall be and remain the property of Subtenant and may be removed by it subject to the provisions of Section 18 hereof.

7.5. Sublandlord's Alterations of the Building and Building Systems. Sublandlord reserves the right at any time to make alterations, additions, repairs, deletions or improvements to the common areas or any other part of the Building or the Building Systems, provided that any such alterations or additions shall not materially adversely affect the functional utilization of the Premises for purposes stated herein.

8. REPAIRS AND MAINTENANCE

8.1. Subtenant Responsible for Maintenance and Repair. Subtenant assumes full and sole responsibility for the condition, operation, repair and maintenance and management of the Premises from and after the Commencement Date and shall keep the Premises in good condition and repair. Sublandlord shall not be responsible for the performance of any repairs, changes or alterations to the Premises, nor shall Sublandlord be liable for any portion of the cost thereof. Subtenant shall make all repairs and replacements, interior and exterior, structural as well as non-structural, ordinary as well as extraordinary, foreseen and unforeseen, which may be necessary to maintain the Premises at all times in clean, safe, attractive and sanitary condition and in good order and repair, to Sublandlord's and Master Landlord's reasonable satisfaction, provided, however, that neither Subtenant nor Sublandlord shall be required to make structural repairs or Alterations to correct conditions affecting the Premises existing prior to the Commencement Date or in the event the Premises are damaged or destroyed by an earthquake or subsidence or by any other uninsured casualty not caused by Subtenant. If any portion of the Premises is damaged by any activities conducted by Subtenant or Subtenant's Agents or Subtenant's Invitees hereunder, Subtenant shall immediately, at its sole cost, repair all such damage and restore the Premises to its previous condition.

8.2. Utilities. Sublandlord shall provide the basic building utilities and services described in Exhibit E, (the "Standard Utilities and Services") to the Premises, subject to the terms and conditions contained therein. Subtenant shall be responsible for furnishing, at its sole costs, any utilities or services other than or in excess of the Standard Utilities and Services that Subtenant may need for its use of the Premises. Subtenant shall pay as Additional Charges,



without set off or counterclaim, all amounts due and owing for such Standard Utilities and Services at the rates provided in and as otherwise set forth in Exhibit E.

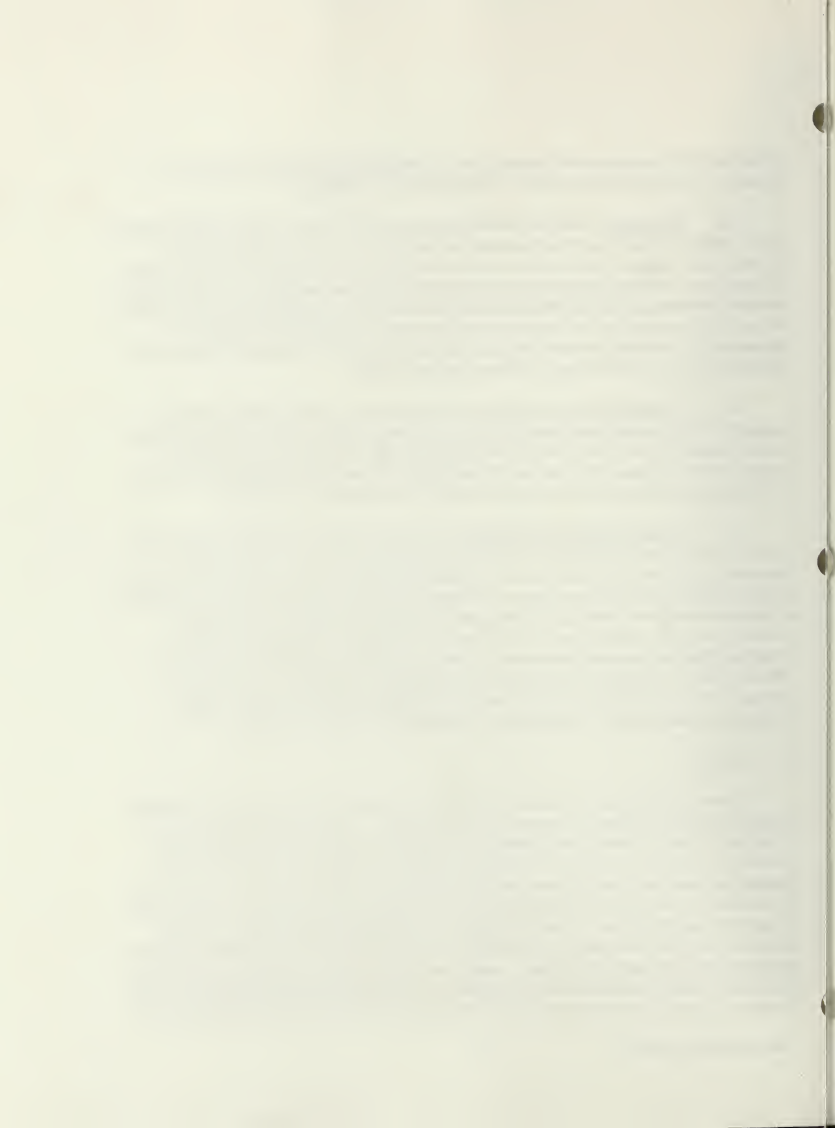
8.3. Floor Load. Without Sublandlord's prior written consent, which Sublandlord may give or refuse in its sole discretion, Subtenant shall not place or install in the Premises any equipment that weighs in excess of the normal load-bearing capacity of the floors of the Building. If Sublandlord consents to the placement or installation of any such machine or equipment in the Premises, Subtenant at its sole expense shall reinforce the floor of the Premises, pursuant to plans and specifications approved by Sublandlord and otherwise in compliance with Section 7 [Alterations] to the extent necessary to assure that no damage to the Premises or the Building or weakening of any structural support will be occasioned thereby.

8.4. Other maintenance Services. Without limiting any of its other obligations hereunder, Subtenant shall provide and perform, at its sole cost, (i) reasonable janitorial services for the Premises, (ii) pest control services required within the Premises, and shall keep the Premises free of all pests at all times and (iii) shall deposit all trash into designated containers in the Building and shall pay for the removal of trash from such designated containers

8.5. No Right to Repair and Deduct. Subtenant expressly waives the benefit of any existing or future Laws or judicial or administrative decision that would otherwise permit Subtenant to make repairs or replacements at Sublandlord's expense, or to terminate this Sublease because of Sublandlord's failure to keep the Premises or any part thereof in good order, condition or repair, or to abate or reduce any of Subtenant's obligations hereunder on account of the Premises or any part thereof being in need of repair or replacement. Without limiting the foregoing, Subtenant expressly waives the provisions of California Civil Code Sections 1932, 1941 and 1942 or any similar Laws with respect to any right of Subtenant to terminate this Sublease and with respect to any obligations of Sublandlord hereunder or and any right of Subtenant to make repairs or replacements and deduct the cost thereof from Rent.

9. LIENS

Subtenant shall keep the Premises free from any liens arising out of any work performed, material furnished or obligations incurred by or for Subtenant. In the event Subtenant does not, within five (5) days following the imposition of any such lien, cause the lien to be released of record by payment or posting of a proper bond, Sublandlord shall have in addition to all other remedies provided herein and by law or equity the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including, but not limited to, payment of the claim giving rise to such lien. All such sums paid by Sublandlord and all expenses it incurs in connection therewith (including, without limitation, reasonable attorneys' fees) shall be payable to Sublandlord by Subtenant upon demand. Sublandlord shall have the right at all times to post and keep posted on the Premises any notices permitted or required by law or that Sublandlord deems proper for its protection and protection of the Premises from mechanics' and materialmen's liens.



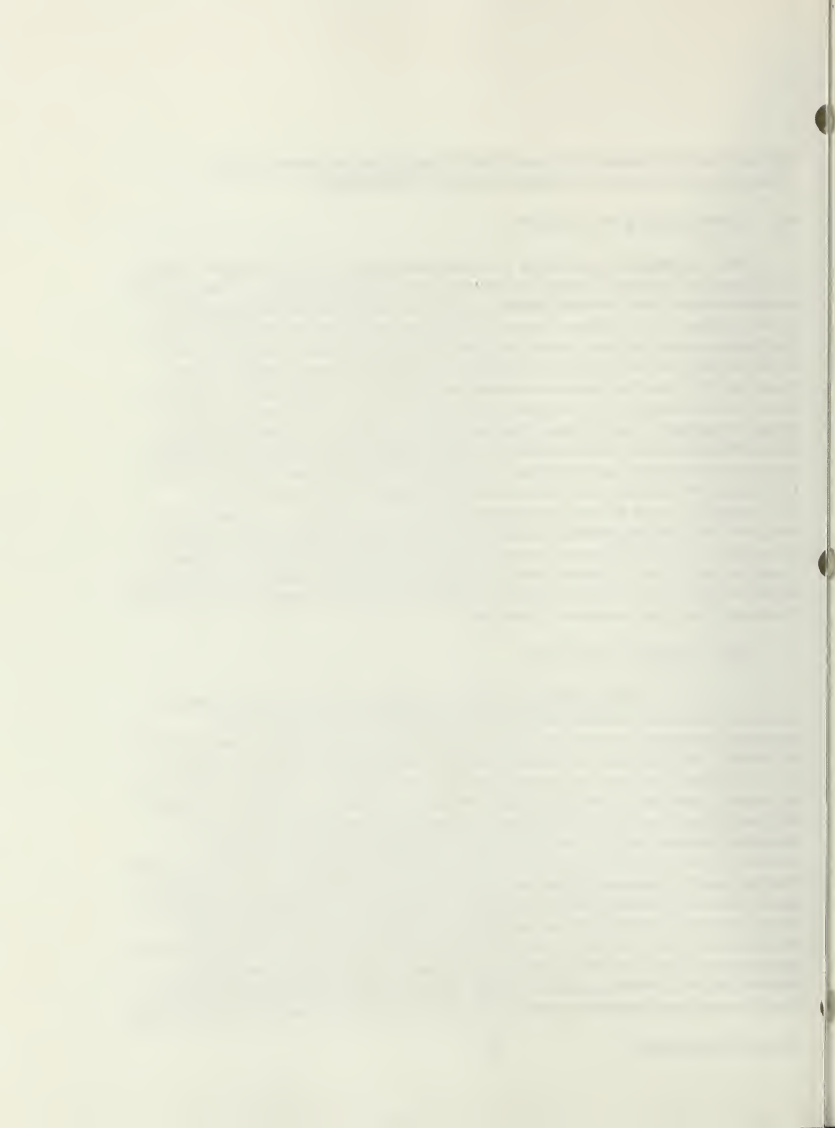
Subtenant shall give Sublandlord at least fifteen (15) days' prior written notice of the commencement of any repair or construction on any of the Premises.

10. COMPLIANCE WITH LAWS

10.1. Compliance with Laws. Subtenant shall promptly, at its sole expense, maintain the Premises and Subtenant's use and operations thereon in strict compliance at all times with all present and future Laws, whether foreseen or unforeseen, ordinary as well as extraordinary, provided however, that Subtenant shall not be required to make repairs or structural changes to the Premises required solely to correct conditions affecting the Premises existing prior to the Commencement Date or not related to Subtenant's use of the Premises (including, without limitation, in the event the Premises are damaged or destroyed by an earthquake or subsidence or by any other uninsured casualty not caused by Subtenant), unless the requirement for such changes is imposed as a result of any Alterations made or requested to be made by Subtenant. Such Laws shall include, without limitation, all Laws relating to health and safety and disabled accessibility including, without limitation, the Americans with Disabilities Act, 42 U.S.C.S. §§ 12101 *et seq.* and Title 24 of the California Code of Regulations, all present and future Environmental Laws (as defined in this Sublease below). No occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, and however extraordinary, shall give Subtenant any right to seek redress against Sublandlord for failing to comply with any Laws. Subtenant waives any rights now or hereafter conferred upon it by any existing or future Law to compel Sublandlord to make any repairs to comply with any such Laws, on account of any such occurrence or situation.

10.2. Regulatory Approvals.

(a) Responsible Party. Subtenant understands and agrees that Subtenant's use of the Premises and construction of Alterations permitted hereunder may require authorizations, approvals or permits from governmental regulatory agencies with jurisdiction over the Premises. Subtenant shall be solely responsible for obtaining any and all such regulatory approvals, including without limitation any liquor permits or approvals. Subtenant shall not seek any regulatory approval without first obtaining the written consent of Sublandlord. Subtenant shall bear all costs associated with applying for, obtaining and maintaining any necessary or appropriate regulatory approval and shall be solely responsible for satisfying any and all conditions imposed by regulatory agencies as part of a regulatory approval. Any fines or penalties levied as a result of Subtenant's failure to comply with the terms and conditions of any regulatory approval shall be immediately paid and discharged by Subtenant, and Sublandlord shall have no liability, monetary or otherwise, for any such fines or penalties. Subtenant shall indemnify, protect, defend and hold harmless forever ("Indemnify") the Sublandlord, the City and County of San Francisco ("City") and the Master Landlord including, but not limited to, all of their respective officers, directors, employees, agents, affiliates, subsidiaries, licensees, contractors, boards, commissions, departments, agencies and other subdivisions and each of the persons acting



by, through or under each of them, and their respective heirs, legal representatives, successors and assigns, and each of them (the "Indemnified Parties") against any and all claims, demands, losses, liabilities, damages, liens, injuries, penalties, fines, lawsuits and other proceedings, judgments and awards and costs and expenses, including, without limitation, reasonable attorneys' and consultants' fees and costs ("Losses") arising in connection with Subtenant's failure to obtain or comply with the terms and conditions of any regulatory approval.

10.3. Compliance with Sublandlord's Risk Management Requirements. Subtenant shall not do anything, or permit anything to be done, in or about the Premises or any Alterations permitted hereunder that would create any unusual fire risk, and shall take commercially reasonable steps to protect Sublandlord from any potential premises liability. Subtenant shall faithfully observe, at its expense, any and all reasonable requirements of Sublandlord's Risk Manager with respect thereto and with the requirements of any policies of commercial general, all risk property or other policies of insurance at any time in force with respect to the Premises and any Alterations as required hereunder.

11. ENCUMBRANCES

11.1. Encumbrance By Subtenant. Notwithstanding anything to the contrary contained in this Sublease, Subtenant shall not under any circumstances whatsoever create any mortgage, deed of trust, assignment of rents, fixture filing, security agreement, or similar security instrument, or other lien or encumbrance or assignment or pledge of an asset as security in any manner against the Premises or Sublandlord's or Subtenant's interest under this Sublease.

12. DAMAGE OR DESTRUCTION

12.1. Damage or Destruction to the Premises. In the case of damage to or destruction of the Premises by earthquake, fire or any other casualty, not caused by Subtenant or Subtenant's Agents or Subtenant's Invitees, whether insured or uninsured, which prevents Subtenant from operating the Premises for the purposes stated herein and the cost of repairing such damage exceeds Ten Thousand Dollars (\$10,000), either Party may terminate this Sublease upon thirty (30) days prior written notice and upon any such termination Subtenant shall surrender the Premises in accordance with Section 18 and both Parties shall be relieved of any liability for such termination or for repairing such damage. If neither Party terminates this Sublease as provided in this Section 12.1, Subtenant shall, at its sole cost, promptly restore, repair, replace or rebuild the Premises to the condition the Premises were in prior to such damage or destruction, subject to any changes made in strict accordance with the requirements of Section 7 above. Under no circumstances shall Sublandlord have any obligation to repair, replace or rebuild the Premises in the event of such a casualty.

12.2. No Abatement in Rent. In the event of any damage or destruction to the Premises, and if neither party terminates this Sublease as provided in Section 12.1 above, there

1. The first part of the report deals with the general situation of the country and the results of the survey. It is divided into two main sections: the first section deals with the general situation of the country and the results of the survey, and the second section deals with the specific results of the survey.

2. The second part of the report deals with the specific results of the survey. It is divided into three main sections: the first section deals with the results of the survey in the field of agriculture, the second section deals with the results of the survey in the field of industry, and the third section deals with the results of the survey in the field of commerce.

3. The third part of the report deals with the conclusions of the survey. It is divided into two main sections: the first section deals with the conclusions of the survey in the field of agriculture, and the second section deals with the conclusions of the survey in the field of industry and commerce.

4. The fourth part of the report deals with the recommendations of the survey. It is divided into two main sections: the first section deals with the recommendations of the survey in the field of agriculture, and the second section deals with the recommendations of the survey in the field of industry and commerce.

5. The fifth part of the report deals with the summary of the survey. It is divided into two main sections: the first section deals with the summary of the survey in the field of agriculture, and the second section deals with the summary of the survey in the field of industry and commerce.

shall be no abatement in the Rent payable hereunder.

12.3. Waiver. The Parties understand and agree that the foregoing provisions of this Section are intended to govern fully the rights and obligations of the Parties in the event of damage or destruction to the Premises or Alterations, and Sublandlord and Subtenant each hereby waives and releases any right to terminate this Sublease in whole or in part under Sections 1932.2 and 1933.4 of the Civil Code of California or under any similar Laws now or hereafter in effect, to the extent such rights are inconsistent with the provisions hereof.

13. ASSIGNMENT AND SUBLETTING

13.1. Restriction on Assignment and Subletting. Subtenant shall not directly or indirectly (including, without limitation, by merger, acquisition or other transfer of any controlling interest in Subtenant), voluntarily or by operation of Law, sell, assign, encumber, pledge or otherwise transfer any part of its interest in or rights with respect to the Premises, any Alterations or its interest in this Sublease, or permit any portion of the Premises to be occupied by anyone other than itself, or sublet any portion of the Premises, without Sublandlord's prior written consent in each instance, which Sublandlord may grant or withhold in its sole and absolute discretion.

14. DEFAULT; REMEDIES

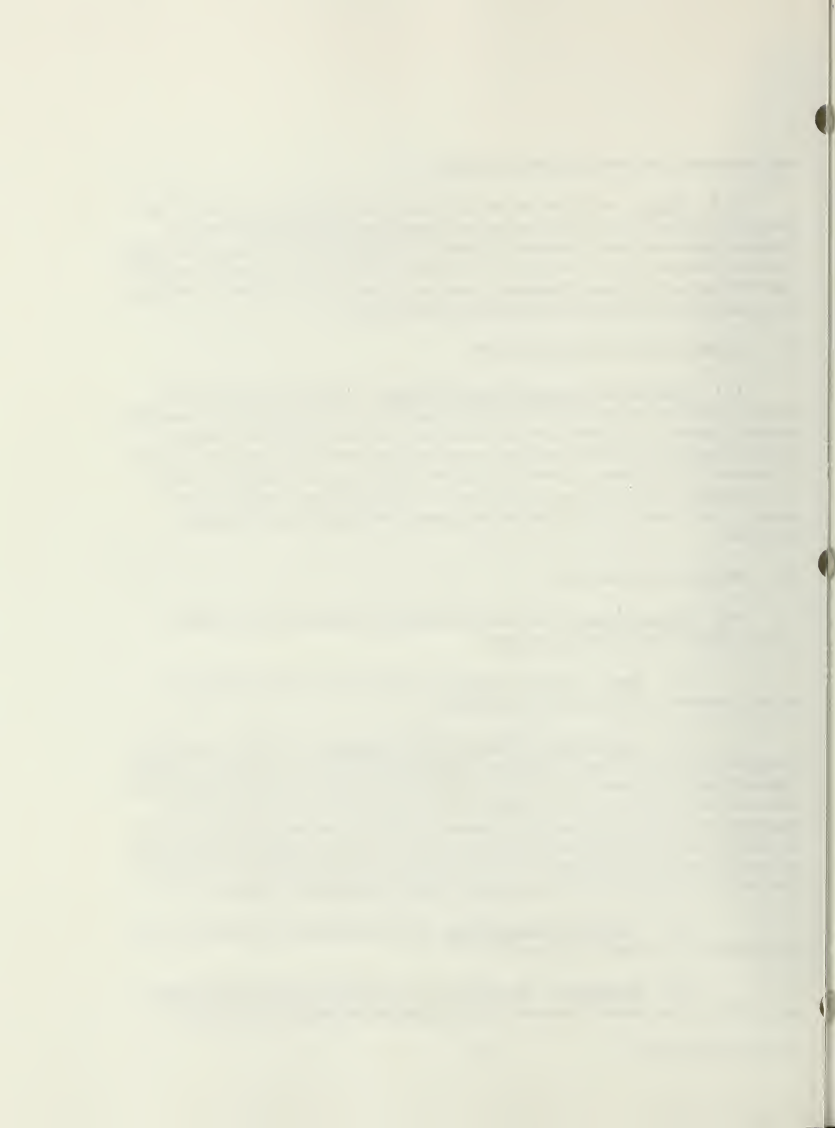
14.1. Events of Default. Any of the following shall constitute an event of default ("Event of Default") by Subtenant hereunder:

(a) **Rent.** Any failure to pay Rent or other sums, including sums due for utilities, within five (5) days after such sums are due;

(b) **Covenants, Conditions and Representations.** Any failure to perform or comply with any other covenant, condition or representation made under this Sublease, provided Subtenant shall have a period of ten (10) days from the date of written notice from Sublandlord of such failure within which to cure such default under this Sublease, or, if such default is not capable of cure within such 10-day period, Subtenant shall have a reasonable period to complete such cure if Subtenant promptly undertakes action to cure such default within such 10-day period and thereafter diligently prosecutes the same to completion and uses its best efforts to complete such cure within sixty (60) days after the receipt of notice of default from Sublandlord.

(c) **Vacation or Abandonment.** Any abandonment of the Premises for more than fourteen (14) consecutive days; and

(d) **Bankruptcy.** The appointment of a receiver to take possession of all or substantially all of the assets of Subtenant, or an assignment by Subtenant for the benefit of



creditors, or any action taken or suffered by Subtenant under any insolvency, bankruptcy, reorganization, moratorium or other debtor relief act or statute, whether now existing or hereafter amended or enacted.

14.2. Remedies. Upon the occurrence of an Event of Default by Subtenant, Sublandlord shall have the following rights and remedies in addition to all other rights and remedies available to Sublandlord at Law or in equity:

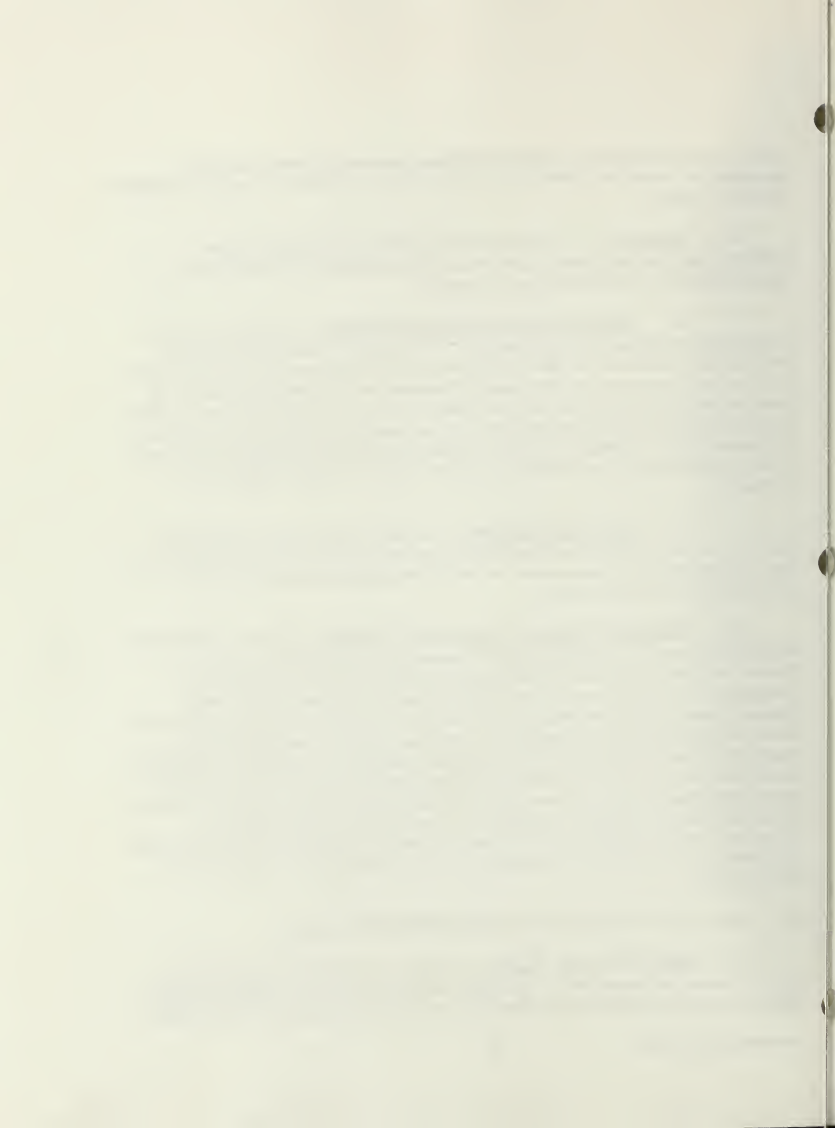
(a) **Terminate Sublease and Recover Damages.** The rights and remedies provided by law California Civil Code Section 1951.2 (damages on termination for breach), including, but not limited to, the right to terminate Subtenant's right to possession of the Premises and to recover the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of rental loss for the same period that Subtenant proves could be reasonably avoided, as computed pursuant to subsection (b) of such Section 1951.2. Sublandlord's efforts to mitigate the damages caused by Subtenant's breach of this Sublease shall not waive Sublandlord's rights to recover unmitigated damages upon termination.

(b) **Appointment of Receiver.** The right to have a receiver appointed for Subtenant upon application by Sublandlord to take possession of the Premises and to apply any rental collected from the Premises and to exercise all other rights and remedies granted to Sublandlord pursuant to this Sublease.

14.3. Sublandlord's Right to Cure Subtenant's Defaults. If Subtenant defaults in the performance of any of its obligations under this Sublease, then Sublandlord may at any time thereafter with three (3) days prior written notice (except in the event of an emergency as determined by Sublandlord), remedy such Event of Default for Subtenant's account and at Subtenant's expense. Subtenant shall pay to Sublandlord, as Additional Charges, promptly upon demand, all sums expended by Sublandlord, or other costs, damages, expenses or liabilities incurred by Sublandlord, including, without limitation, reasonable attorneys' fees, in remedying or attempting to remedy such Event of Default. Subtenant's obligations under this Section shall survive the termination of this Sublease. Nothing herein shall imply any duty of Sublandlord to do any act that Subtenant is obligated to perform under any provision of this Sublease, and Sublandlord's cure or attempted cure of Subtenant's Event of Default shall not constitute a waiver of Subtenant's Event of Default or any rights or remedies of Sublandlord on account of such Event of Default.

15. RELEASE AND WAIVER OF CLAIMS; INDEMNIFICATION

15.1. Release and Waiver of Claims. Subtenant, on behalf of itself and Subtenant's Agents, covenants and agrees that the Indemnified Parties shall not be responsible for or liable to Subtenant for, and, to the fullest extent allowed by any Laws, Subtenant hereby waives all rights



against the Indemnified Parties and releases them from, any and all Losses, including, but not limited to, incidental and consequential damages, relating to any injury, accident or death of any person or loss or damage to any property, in or about the Premises, from any cause whatsoever, including without limitation, partial or complete collapse of the Building due to an earthquake or subsidence, except only to the extent such Losses are caused exclusively by the gross negligence or willful misconduct of the Indemnified Parties (except as provided in Section 15.1(e) below). Without limiting the generality of the foregoing:

(a) Subtenant expressly acknowledges and agrees that the Rent payable hereunder does not take into account any potential liability of the Indemnified Parties for any consequential or incidental damages including, but not limited to, lost profits arising out of disruption to Subtenant's uses hereunder. Sublandlord would not be willing to enter into this Sublease in the absence of a complete waiver of liability for consequential or incidental damages due to the acts or omissions of the Indemnified Parties, and Subtenant expressly assumes the risk with respect thereto. Accordingly, without limiting any indemnification obligations of Subtenant or other waivers contained in this Sublease and as a material part of the consideration for this Sublease, Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all claims, demands, rights, and causes of action for consequential and incidental damages and covenants not to sue the Indemnified Parties for such damages arising out of this Sublease or the uses authorized hereunder, including, without limitation, any interference with uses conducted by Subtenant pursuant to this Sublease regardless of the cause.

(b) Without limiting any indemnification obligations of Subtenant or other waivers contained in this Sublease and as a material part of the consideration for this Sublease, Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all claims, demands, rights, and causes of action against, and covenants not to sue the Indemnified Parties under any present or future Laws, statutes, or regulations, including, but not limited to, any claim for inverse condemnation or the payment of just compensation under the law of eminent domain, or otherwise at equity, in the event that Sublandlord terminates this Sublease because of such claim for inverse condemnation or eminent domain.

(c) As part of Subtenant's agreement to accept the Premises in its "As Is" condition as provided herein, and without limiting such agreement and any other waiver contained herein, Subtenant on behalf of itself and its successors and assigns, waives its right to recover from, and forever RELEASES, WAIVES AND DISCHARGES, the Indemnified Parties from any and all Losses, whether direct or indirect, known or unknown, foreseen and unforeseen, that may arise on account of or in any way be connected with the physical or environmental condition of the Premises and any related improvements or any Laws or regulations applicable thereto or the suitability of the Premises for Subtenant's intended use.

(d) Subtenant acknowledges that it will not be a displaced person at the time this Sublease is terminated, and Subtenant fully RELEASES, WAIVES AND DISCHARGES, the

The first part of the paper discusses the importance of the study of the history of the United States. It is argued that a knowledge of the past is essential for a full understanding of the present and for the development of a sound policy for the future. The author then proceeds to a detailed examination of the various factors which have shaped the development of the United States, including the influence of the European immigrants, the role of the American Indians, and the impact of the American Revolution.

The second part of the paper is devoted to a discussion of the various theories which have been advanced to explain the development of the United States. These theories include the idea of the "frontier," the concept of "manifest destiny," and the theory of "American exceptionalism." The author examines each of these theories in turn, pointing out their strengths and weaknesses. He concludes that while each of these theories has contributed to our understanding of the United States, none of them provides a complete explanation of the country's development.

The third part of the paper is a critical examination of the various historical sources which have been used to study the United States. The author discusses the reliability of the various types of sources, including diaries, letters, and official documents. He also points out the importance of the study of the various groups which have shaped the United States, including the European immigrants, the American Indians, and the African Americans.

The fourth part of the paper is a discussion of the various methods which have been used to study the United States. The author examines the various types of historical research, including the study of the various groups which have shaped the United States, the study of the various events which have shaped the United States, and the study of the various institutions which have shaped the United States. He concludes that while each of these methods has contributed to our understanding of the United States, none of them provides a complete explanation of the country's development.

The fifth part of the paper is a discussion of the various conclusions which have been reached by the various studies of the United States. The author points out that while there is still much to be learned about the United States, the various studies have provided a solid foundation for our understanding of the country's development.

Indemnified Parties from any and all Losses and any and all claims, demands or rights against any of the Indemnified Parties under any present and future Laws, including, without limitation, any and all claims for relocation benefits or assistance from the Indemnified Parties under federal and state relocation assistance laws.

(e) Without limiting any other waiver contained herein, Subtenant on behalf of itself and its successors and assigns, hereby waives its right to recover from, and forever RELEASES, WAIVES AND DISCHARGES, the Indemnified Parties from any and all Losses, whether direct or indirect, known or unknown, foreseen and unforeseen, that may arise on account of or in any way be connected with the Indemnified Parties decision to Sublease the Premises to the Subtenant, regardless of whether or not such decision is or may be determined to be an act of gross negligence or willful misconduct of the Indemnified Parties.

(f) Subtenant covenants and agrees never to file, commence, prosecute or cause to be filed, commenced or prosecuted against the Indemnified Parties any claim, action or proceeding based upon any claims, demands, causes of action, obligations, damages, losses, costs, expenses or liabilities of any nature whatsoever encompassed by the waivers and releases set forth in this Section 15.1.

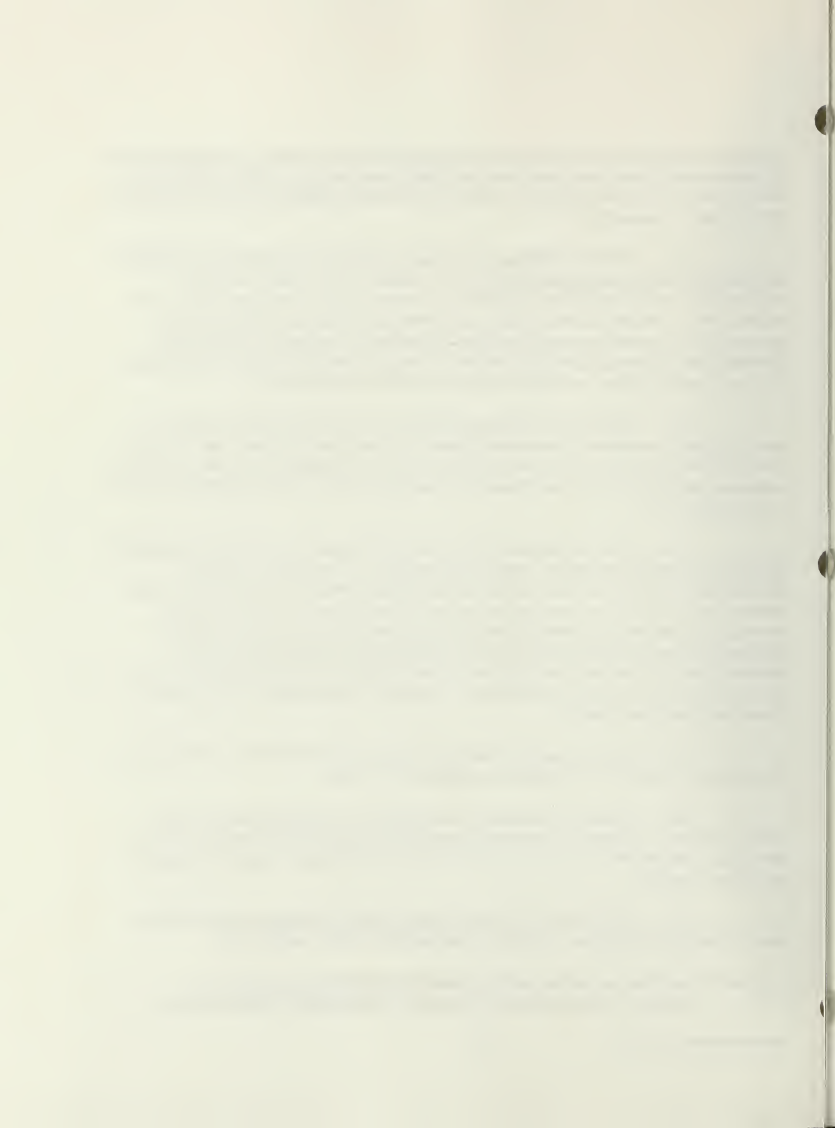
(g) Without limiting any other waiver contained herein, Subtenant on behalf of itself and its successors and assigns, hereby waives its right to recover from, and forever RELEASES, WAIVES AND DISCHARGES, the Indemnified Parties from any and all Losses, whether direct or indirect, known or unknown, foreseen and unforeseen, that may arise on account of or in any way be connected with (i) any construction work or other services that Subtenant may have performed on the Property on behalf of or related to the City or the Authority, whether or not such work has been or may be invoiced or otherwise billed to the City or the Authority, or (ii) Subtenant's prior use or occupancy of any building or other property located on or about the Property.

(h) In executing these waivers and releases, Subtenant has not relied upon any representation or statement other than as expressly set forth herein.

(i) Subtenant had made such investigation of the facts pertaining to these waivers and releases it deems necessary and assumes the risk of mistake with respect to such facts. These waivers and releases are intended to be final and binding on Subtenant regardless of any claims of mistake.

(j) In connection with the foregoing releases, Subtenant acknowledges that it is familiar with Section 1542 of the California Civil Code, which reads:

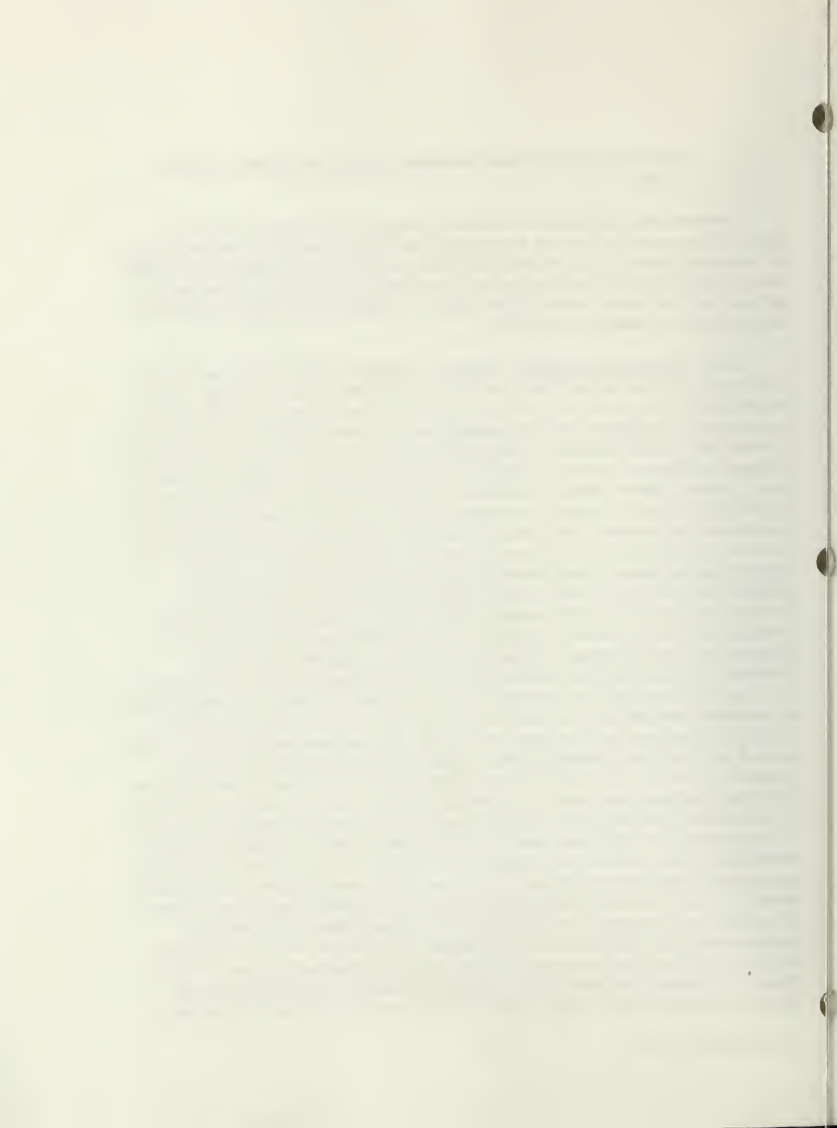
A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which



if known by him must have materially affected his settlement with the debtor.

Subtenant acknowledges that the releases contained herein includes all known and unknown, disclosed and undisclosed, and anticipated and unanticipated claims. Subtenant realizes and acknowledges that it has agreed upon this Sublease in light of this realization and, being fully aware of this situation, it nevertheless intends to waive the benefit of Civil Code Section 1542, or any statute or other similar law now or later in effect. The waivers and releases contained herein shall survive any termination of this Sublease.

15.2. Subtenant's Indemnity. Subtenant, on behalf of itself and Subtenant's Agents, shall Indemnify the Indemnified Parties from and against any and all Losses, expressly including but not limited to, any Losses arising out of a partial or complete collapse of the Building due to an earthquake or subsidence, incurred in connection with or arising directly or indirectly, in whole or in part, out of: (a) any damage to or destruction of any property owned by or in the custody of Subtenant or Subtenant's Agents or Subtenant's Invitees, (b) any accident, injury to or death of a person, including, without limitation, Subtenant's Agents and Subtenant's Invitees, howsoever or by whomsoever caused, occurring in, on or about the Premises (c) any default by Subtenant in the observation or performance of any of the terms, covenants or conditions of this Sublease to be observed or performed on Subtenant's part; (d) the use, occupancy, conduct or management, or manner of use, occupancy, conduct or management by Subtenant, Subtenant's Agents or Subtenant's Invitees or any person or entity claiming through or under any of them, of the Premises or any Alterations; (e) the condition of the Premises, including the Building, (f) any construction or other work undertaken by Subtenant on or about the Premises whether before or during the Term of this Sublease; or (g) any acts, omissions or negligence of Subtenant, Subtenant's Agents or Subtenant's Invitees, or of any trespassers, in, on or about the Premises or any Alterations; except to the extent that such Indemnity is void or otherwise unenforceable under any applicable Laws in effect on or validly retroactive to the date of this Sublease and further except only to the extent such Losses are caused by the gross negligence and intentional wrongful acts and omissions of the Indemnified Parties. Notwithstanding the foregoing, Subtenant's obligations to indemnify the Indemnified Parties under this Section 15.2 shall remain in full force and effect regardless of whether or not the Indemnified Parties' decision to Sublease the Premises to the Subtenant, given the seismic condition of the property, is or may be determined to be an act of gross negligence or willful misconduct of the Indemnified Parties. The foregoing Indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs and Sublandlord's costs of investigating any Loss. Subtenant specifically acknowledges and agrees that it has an immediate and independent obligation to defend Sublandlord and the other Indemnified Parties from any claim which actually or potentially falls within this indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to Subtenant by Sublandlord and continues at all times thereafter. Subtenant's obligations under this Section shall survive the expiration or sooner termination of this Sublease. Notwithstanding anything contained herein, to the extent such



Losses are not covered by insurance required herein and subject to Section 12.1 above, Subtenant shall have no obligation to repair, restore or reconstruct the Premises (or to pay for the same) to correct or repair any conditions that existed prior to the Commencement Date of this Sublease or in the event the Premises are damaged or destroyed by an earthquake or subsidence or by any other uninsured casualty not caused by Subtenant.

16. INSURANCE

16.1. **Subtenant's Insurance.** Subtenant shall procure and maintain throughout the Term of this Sublease and pay the cost thereof the following insurance:

(a) **Property Insurance.** Subtenant shall procure and maintain, at its own cost, a standard fire and extended coverage insurance policy insuring the Premises, including, without limitation, the Building and all fixtures, Alterations, furniture and equipment located thereon, in an amount not less than their full replacement value.

(b) **Public Liability and Other Insurance.** Subtenant shall at all times, at its cost, also maintain insurance for the mutual benefit of Sublandlord and Subtenant against:

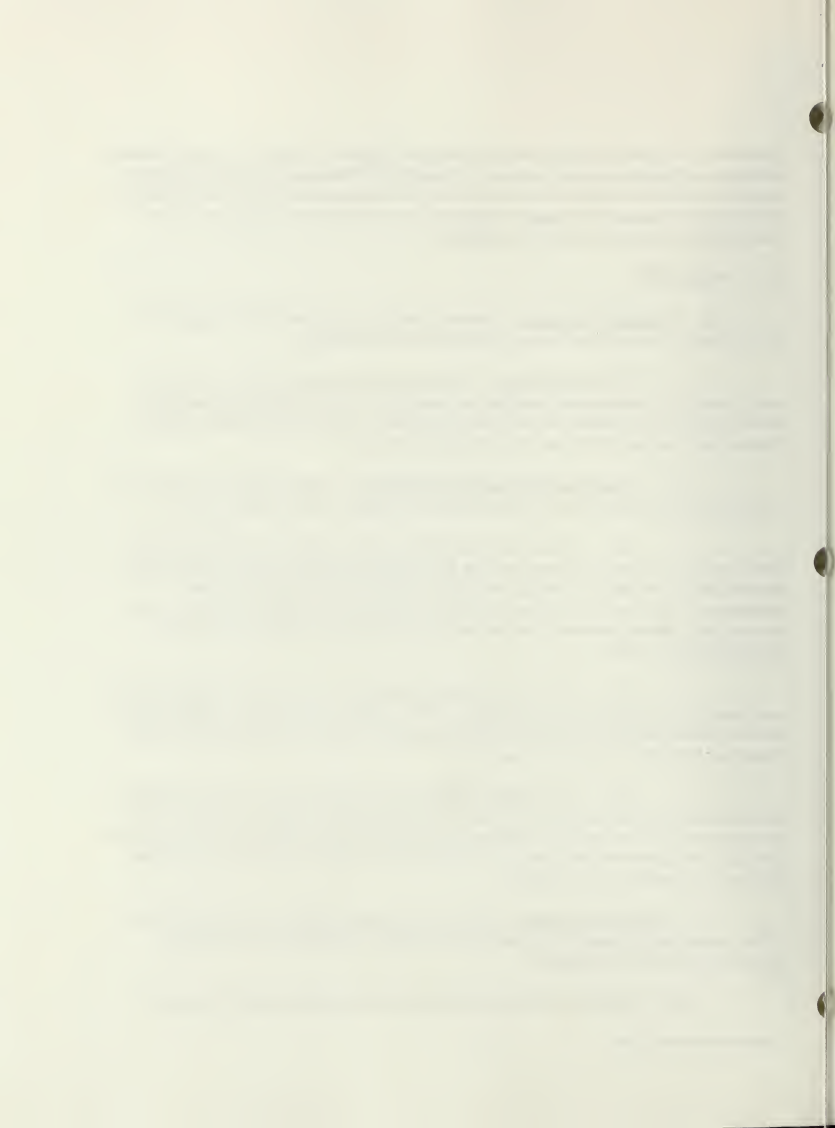
(i) Claims for personal injury under a policy of commercial general liability insurance, including without limitation, liquor liability insurance, claims for bodily injury, property damage or employer's liability occurring in or upon the Premises arising from earthquakes or subsidence, in an amount not less than \$1,000,000 combined single limit. Such insurance shall provide coverage at least as broad as provided under Insurance Service Form Number CG-00-01-11-88.

(ii) Worker's compensation insurance with employer's liability insurance covering all persons employed and with respect to whom death or bodily injury claims could be asserted against Sublandlord, Subtenant, the Premises or any other Sublandlord property, in an amount not less than \$1,000,000 each accident.

(iii) Automobile liability insurance with limits not less than \$1,000,000 each occurrence combined single limit for bodily injury and property damage, including owned and non-owned and hired vehicles, if Subtenant uses automobiles in connection with its use of the Premises. Such insurance shall provide coverage at least as broad as provided under Insurance Service Form Number CA-00-01-06-92.

16.2. **General Requirements.** All insurance provided for under this Sublease shall be effected under valid enforceable policies issued by insurers of recognized responsibility and reasonably approved by Sublandlord.

(a) Should any of the required insurance be provided under a claims-made



form, Subtenant shall maintain such coverage continuously throughout the term hereof and, without lapse, for a period of one (1) year beyond the expiration or termination of this Sublease, to the effect that, should occurrences during the Term give rise to claims made after expiration or termination of this Sublease, such claims shall be covered by such claims-made policies.

(b) Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in such general annual aggregate limit, such general aggregate limit shall be increased by Five Hundred Thousand Dollars (\$500,000) over the claims limits specified above.

(c) All liability insurance policies shall be endorsed to provide the following:

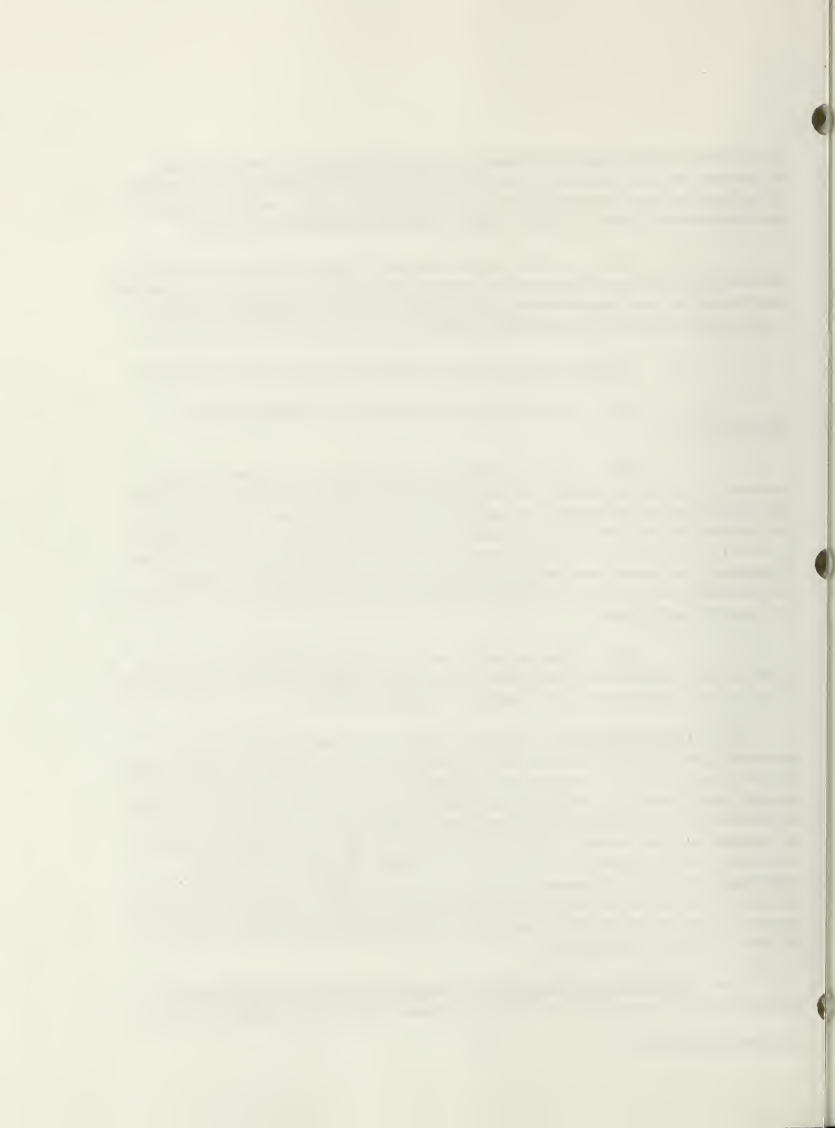
(i) Cover Subtenant as the insured and the Sublandlord as an additional insured.

(ii) That such policies are primary insurance to any other insurance available to the additional insureds, with respect to any claims arising out of this Sublease, and that insurance applies separately to each insured against whom claim is made or suit is brought. Such policies shall also provide for severability of interests and that an act or omission of one of the named insureds which would void or otherwise reduce coverage shall not reduce or void the coverage as to any insured, and shall afford coverage for all claims based on acts, omissions, injury or damage which occurred or arose (or the onset of which occurred or arose) in whole or in part during the policy period.

(iii) All policies shall be endorsed to provide thirty (30) days' advance written notice to Sublandlord of cancellation, non-renewal or reduction in coverage, mailed to the address(es) for Sublandlord set forth in the Basic Sublease Information.

16.3. Proof of Insurance. Subtenant shall deliver to Sublandlord certificates of insurance in form and with insurers satisfactory to Sublandlord, evidencing the coverages required hereunder, on or before the Commencement Date, together with complete copies of the policies promptly upon Sublandlord's request, and Subtenant shall provide Sublandlord with certificates or policies thereafter at least thirty (30) days before the expiration dates of expiring policies. As to the insurance required pursuant to Section 16.1(b)(1) above, such certificate shall state, among other things, that such insurance coverage includes and shall cover Subtenant's indemnity obligations under Section 15.2 above. In the event Subtenant shall fail to procure such insurance, or to deliver such policies or certificates, Sublandlord may, at its option, procure the same for the account of Subtenant, and the cost thereof shall be paid to Sublandlord within five (5) days after delivery to Subtenant of bills therefor.

16.4. No Limitation on Indemnities. Subtenant's compliance with the provisions of this Section shall in no way relieve or decrease Subtenant's indemnification obligations herein or



any of Subtenant's other obligations or liabilities under this Sublease.

16.5. Lapse of Insurance. Notwithstanding anything to the contrary in this Sublease, Sublandlord may elect in Sublandlord's sole and absolute discretion to terminate this Sublease upon the lapse of any required insurance coverage by written notice to Subtenant.

16.6. Subtenant's Personal Property. Subtenant shall be responsible, at its expense, for separately insuring Subtenant's Personal Property.

16.7. Waiver of Subrogation. Notwithstanding anything to the contrary contained herein, to the extent permitted by their respective policies of insurance, Sublandlord and Subtenant each hereby waive any right of recovery against the other party and against any other party maintaining a policy of insurance covering the Premises and their contents, or any portion thereof, for any loss or damage maintained by such other party with respect to the Premises, or any portion thereof or the contents of the same or any operation therein, whether or not such loss is caused by the fault or negligence of such other party. If any policy of insurance relating to the Premises carried by Subtenant does not permit the foregoing waiver or if the coverage under any such policy would be invalidated due to such waiver, Subtenant shall obtain, if possible, from the insurer under such policy a waiver of all rights of subrogation the insurer might have against Sublandlord or any other party maintaining a policy of insurance covering the same loss, in connection with any claim, loss or damage covered by such policy.

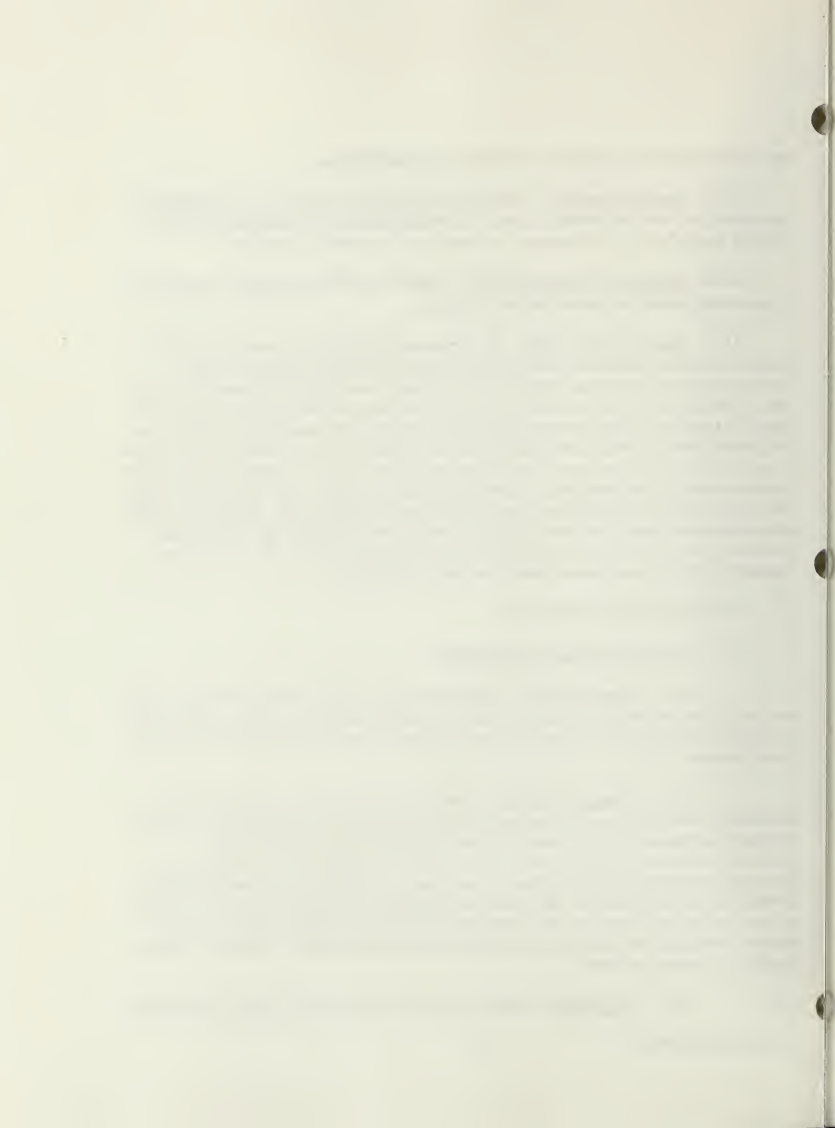
17. ACCESS BY SUBLANDLORD

17.1. Access to Premises by Sublandlord.

(a) **General Access.** Sublandlord reserves for itself and Sublandlord's Agents, the right to enter the Premises and any portion thereof at all reasonable times upon not less than twenty-four (24) hours oral or written notice to Subtenant (except in the event of an emergency) for any purpose.

(b) **Emergency Access.** In the event of any emergency, as determined by Sublandlord, Sublandlord may, at its sole option and without notice, enter the Premises and alter or remove any Alterations or Subtenant's Personal Property on or about the Premises. Sublandlord shall have the right to use any and all means Sublandlord considers appropriate to gain access to any portion of the Premises in an emergency. In such case, Sublandlord shall not be responsible for any damage or injury to any such property, nor for the replacement of any such property and any such emergency entry shall not be deemed to be a forcible or unlawful entry onto or a detainer of, the Premises, or an eviction, actual or constructive, of Subtenant from the Premises or any portion thereof.

(c) **No Liability.** Sublandlord shall not be liable in any manner, and Subtenant



hereby waives any claims, for any inconvenience, disturbance, loss of business, nuisance or other damage arising out of Sublandlord's entry onto the Premises, except damage resulting directly and exclusively from the negligence or willful misconduct of Sublandlord or Sublandlord's Agents and not contributed to by the acts, omissions or negligence of Subtenant, Subtenant's Agents or Subtenant's Invitees.

17.2. Access to Premises by Master Landlord. Subtenant acknowledges and agrees that Master Landlord shall have all of the rights of access to the Premises described in the Master Lease.

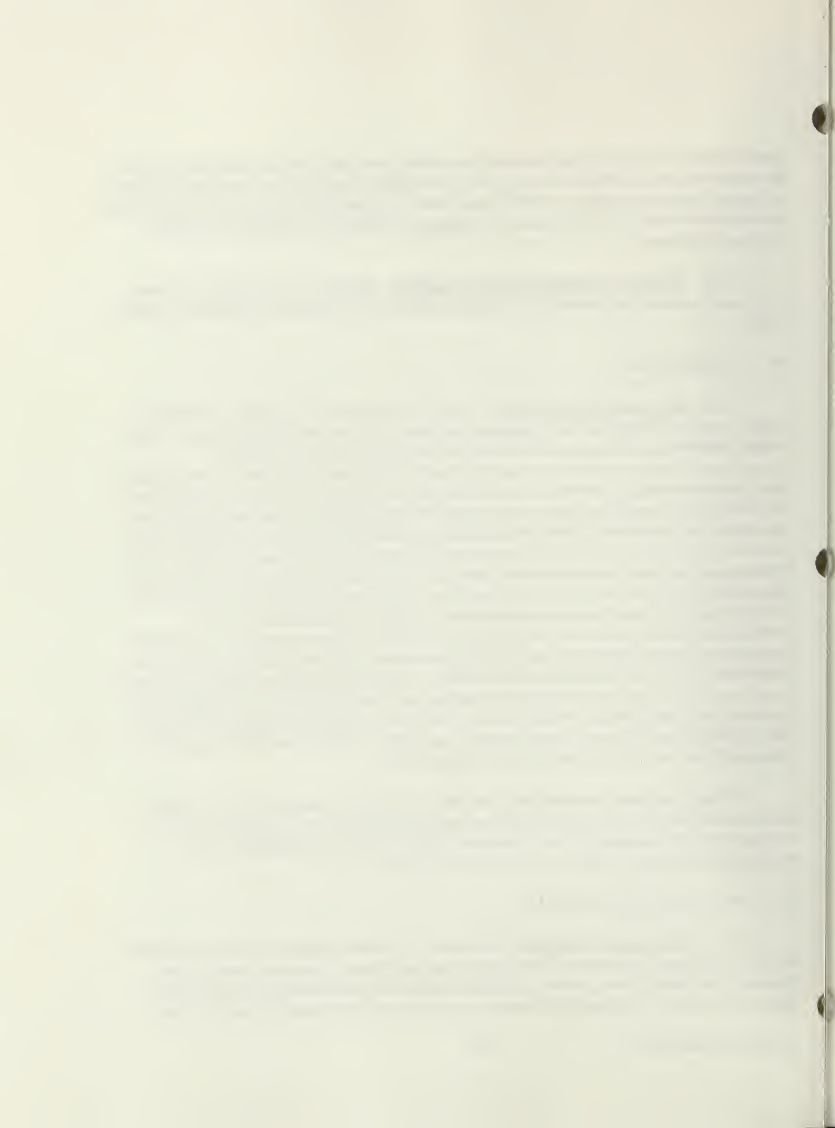
18. SURRENDER

18.1. Surrender of the Premises. Upon the termination of this Sublease, Subtenant shall surrender to Sublandlord the Premises in the same condition as of the Commencement Date, ordinary wear and tear excepted, and free and clear of all liens, easements and other Encumbrances created or suffered by, through or under Subtenant. On or before any termination hereof, Subtenant shall, at its sole cost, remove any and all of Subtenant's Personal Property from the Premises and demolish and remove any and all Alterations from the Premises (except for any Alterations that Sublandlord agrees are to remain part of the Premises pursuant to the provisions of Section 7.3 above). In addition, Subtenant shall, at its sole expense, repair any damage to the Premises resulting from the removal of any such items and restore the Premises to their condition immediately prior to the presence of any Alterations. In connection therewith, Subtenant shall obtain any and all necessary permits and approvals, including, without limitation, any environmental permits, and execute any manifests or other documents necessary to complete the demolition, removal or restoration work required hereunder. Subtenant's obligations under this Section shall survive the termination of this Sublease. Any items of Subtenant's Personal Property remaining on or about the Premises after the termination of this Sublease may, at Sublandlord's option and after thirty (30) days written notice to Subtenant, be deemed abandoned and in such case Sublandlord may dispose of such property in accordance with Section 1980 et seq. of the California Civil Code or in any other manner allowed by Law.

If Subtenant fails to surrender the Premises to Sublandlord upon the termination of this Sublease as required by this Section, Subtenant shall Indemnify Sublandlord against all Losses resulting therefrom, including, without limitation, Losses made by a succeeding Subtenant resulting from Subtenant's failure to surrender the Premises.

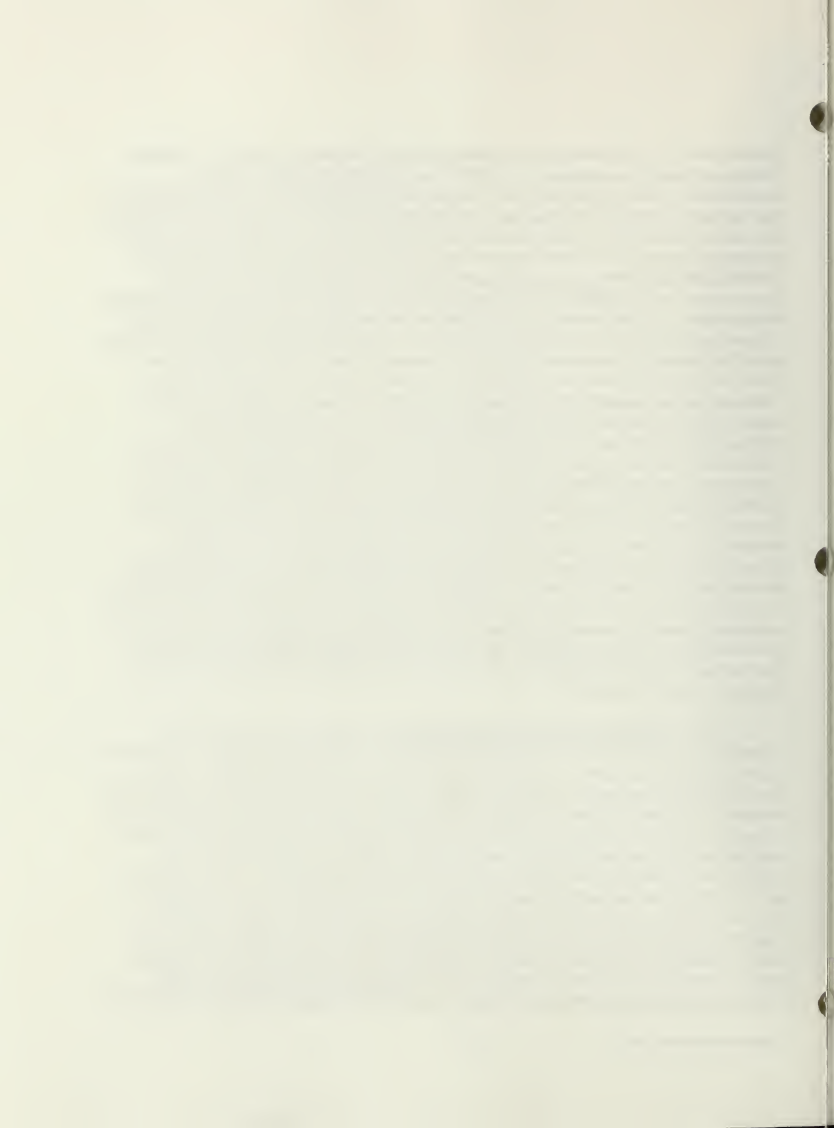
19. HAZARDOUS MATERIALS

19.1. No Hazardous Materials. Subtenant covenants and agrees that neither Subtenant nor any of Subtenant's Agents or Subtenant's Invitees shall cause or permit any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human



health or safety or to the environment, including, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended, (42 U.S.C. Sections 9601 *et seq.*) or pursuant to Section 25281 of the California Health & Safety Code; any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of any existing improvements on the Premises, or are naturally occurring substances on, in or about the Premises; and petroleum, including crude oil or any fraction thereof, and natural gas or natural gas liquids ("Hazardous Material") to be brought upon, kept, used, stored, generated or disposed of in, on or about the Premises or transported to or from the Premises without the prior written approval of Sublandlord, which approval may be withheld in Sublandlord's sole and absolute discretion. Subtenant shall immediately notify Sublandlord if and when Subtenant learns or has reason to believe there has been any release of Hazardous Material in, on or about the Premises . Sublandlord may from time to time request Subtenant to provide adequate information for Sublandlord to determine that any Hazardous Material permitted hereunder is being handled in compliance with all applicable federal, state or local Laws or policies relating to Hazardous Material (including, without limitation, its use, handling, transportation, production, disposal, discharge or storage) or to human health and safety, industrial hygiene or environmental conditions in, on, under or about the Premises and any other property, including, without limitation, soil, air and groundwater conditions ("Environmental Laws"), and Subtenant shall promptly provide all such information. Sublandlord and Sublandlord's Agents shall have the right to inspect the Premises for Hazardous Material and compliance with the provisions hereof at all reasonable times upon reasonable advance oral or written notice to Subtenant (except in the event of an emergency). Without limiting the foregoing, Subtenant acknowledges and agrees that it shall be bound by and will comply with the environmental protection provisions provided for in Section 13 of the Master Lease.

19.2. Subtenant's Environmental Indemnity. If Subtenant breaches any of its obligations contained in Section 19.1 above, or, if any act or omission or negligence of Subtenant or any of Subtenant's Agents or Subtenant's Invitees results in any spilling, leaking, pumping, pouring, emitting, discharging, injecting, escaping, leeching or dumping ("Release") of Hazardous Material in, on, under or about the Premises or the Property, without limiting Subtenant's general Indemnity contained in Section 15.2 above, Subtenant, on behalf of itself and Subtenant's Agents, shall Indemnify the Indemnified Parties, and each of them, from and against all any and all enforcement, investigation, remediation or other governmental or regulatory actions, agreements or orders threatened, instituted or completed pursuant to any Environmental Laws together with any and all Losses made or threatened by any third party against Sublandlord, Sublandlord's Agents, or the Premises, relating to damage, contribution, cost recovery compensation, loss or injury resulting from the presence, Release or discharge of any Hazardous Materials, including, without limitation, Losses based in common law, investigation and remediation costs, fines, natural resource damages, damages for decrease in value of the Premises, the loss or restriction of



the use or any amenity of the Premises and attorneys' fees and consultants' fees and experts' fees and costs ("Hazardous Materials Claims") arising during or after the Term of this Sublease and relating to such Release. The foregoing Indemnity includes, without limitation, all costs associated with the investigation and remediation of Hazardous Material and with the restoration of the Premises or the Property to its prior condition including, without limitation, fines and penalties imposed by regulatory agencies, natural resource damages and losses, and revegetation of the Premises or other Sublandlord property. Without limiting the foregoing, if Subtenant or any of Subtenant's Agents or Subtenant's Invitees, causes or permits the Release of any Hazardous Materials in, on, under or about the Premises or the Property, Subtenant shall, immediately, at no expense to Sublandlord, take any and all appropriate actions to return the Premises or other Sublandlord property affected thereby to the condition existing prior to such Release and otherwise investigate and remediate the Release in accordance with all Environmental Laws. Subtenant shall provide Sublandlord with written notice of and afford Sublandlord a full opportunity to participate in any discussions with governmental regulatory agencies regarding any settlement agreement, cleanup or abatement agreement, consent decree, permit, approvals, or other compromise or proceeding involving Hazardous Material.

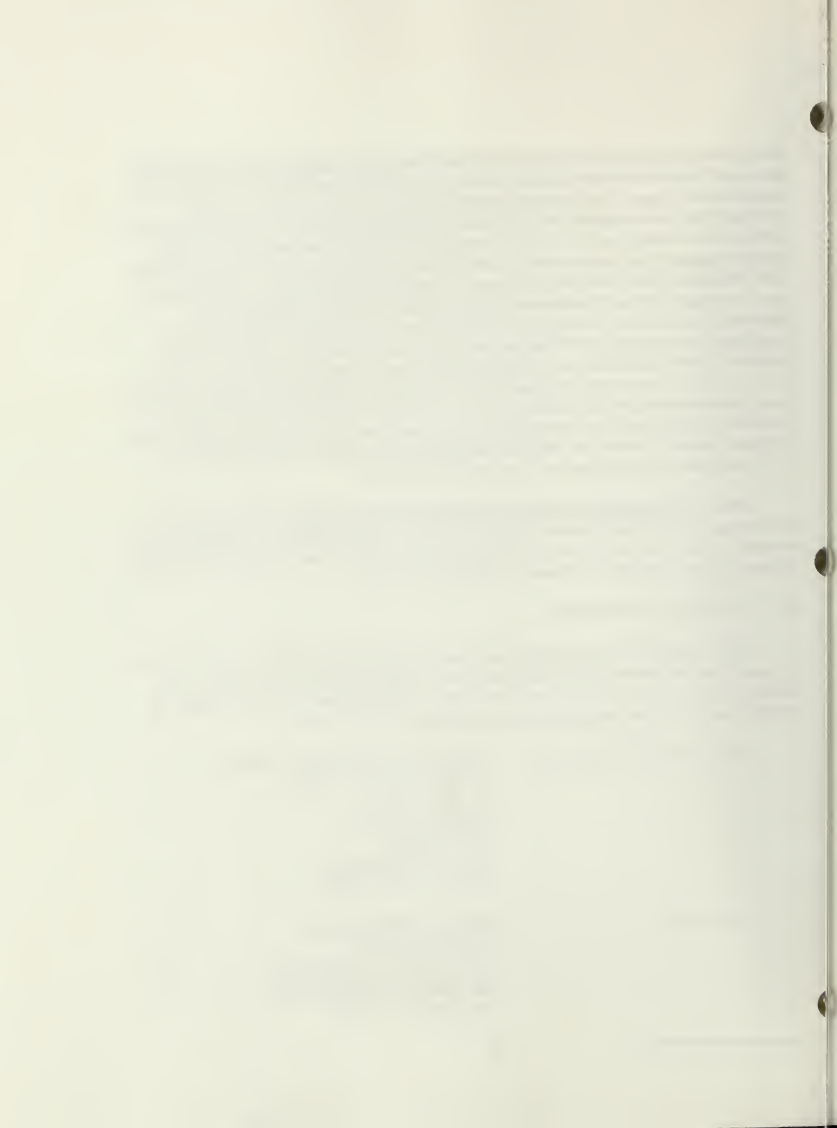
19.3. Acknowledgment of Receipt of EBS and FOSL Reports. Subtenant hereby acknowledges for itself and Subtenant's Agents that, prior to the execution of this Sublease, it has received and reviewed the Environmental Baseline Survey ("EBS") and the Finding of Suitability to Lease ("FOSL") described in Section 7 of the Master Lease.

20. GENERAL PROVISIONS

20.1. Notices. Except as otherwise expressly provided in this Sublease, any notice given hereunder shall be effective only in writing and given by delivering the notice in person, or by sending it first class mail or certified mail with a return receipt requested or reliable commercial overnight courier, return receipt requested, with postage prepaid as follows:

Notice Address of Sublandlord: Treasure Island Development Authority
Treasure Island Project Office
401 Palm Avenue
Building 1, Room 217
Treasure Island
Attn: Executive Director
Fax No.: 415-274-0299

with a copy to: Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Michael S. Cohen



Fax No.: (415) 554-4755

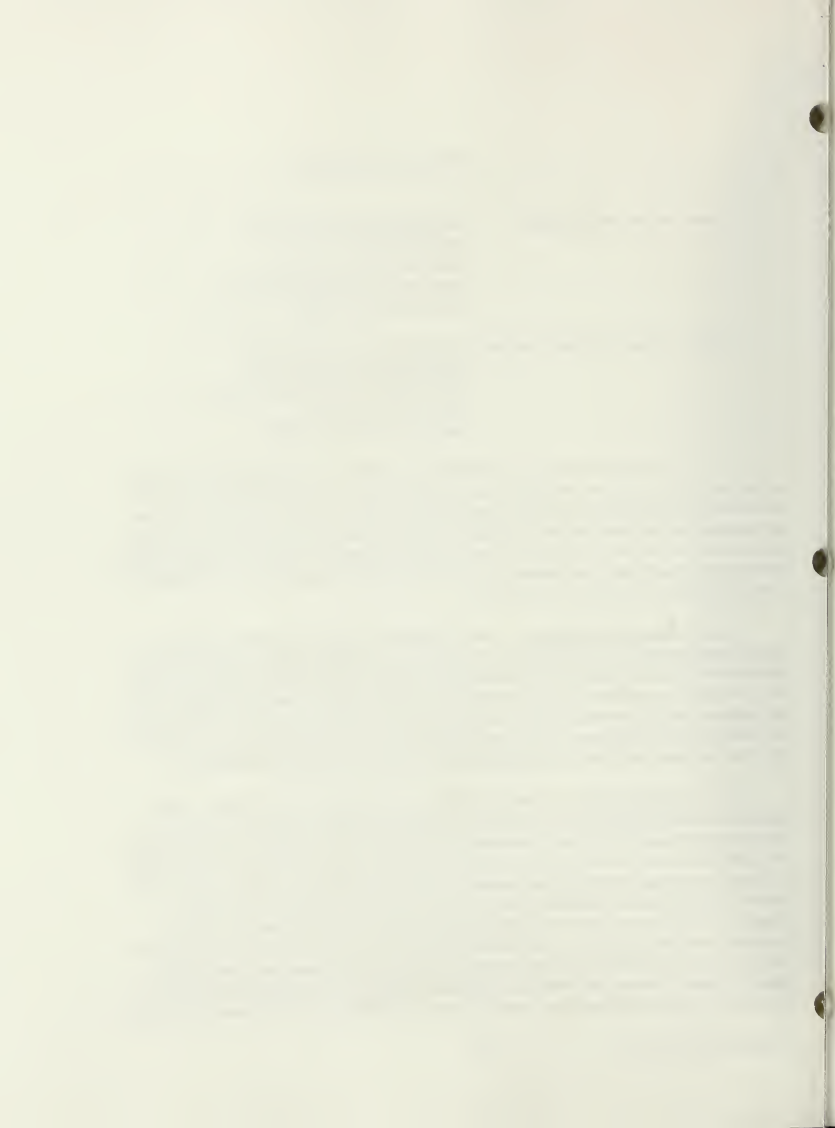
Notice Address of Subtenant: W. Wong Construction Co., Inc.,
3650 18th Street
San Francisco, CA 941110
Attn: Mr. Walter Wong, President
Fax No. (415) 864-3838

Notice Address of Master Landlord: Commanding Officer (Code 24)
Engineering Field Activity West
Naval Facilities Engineering Command
900 Commodore Drive
San Bruno, California 94066

Any Party hereunder may designate a new address for notice purposes hereunder at least ten (10) days prior to the effective date of such change. Any notice hereunder shall be deemed to have been given two (2) days after the date when it is mailed if sent by first class or certified mail, one day after the date it is made, if sent by commercial overnight carrier, or upon the date personal delivery is made, and any refusal by either Party to accept the attempted delivery of any notice, if such attempted delivery is in compliance with this Section 20.1 and applicable Laws, shall be deemed receipt of such notice.

20.2. Estoppel Certificates. Upon Sublandlord's request, Subtenant shall execute, acknowledge and deliver to Sublandlord, or such persons or entities designated by Sublandlord, a statement in writing certifying: (a) the Commencement Date and Term of this Sublease, (b) that this Sublease is unmodified and in full force and effect (or, if there have been modifications, that the Sublease is in full force and effect as modified and stating the modifications), (c) that there are no defaults under this Sublease (or if so, specifying the same), (d) the dates, if any, to which the Rent has been paid, and (e) any other information reasonably required by the Sublandlord.

20.3. Security Deposit. Subtenant shall pay to Sublandlord upon execution of this Sublease a security deposit in the amount of Two Thousand Dollars (\$2,000.00) as security for the faithful performance of all terms, covenants and conditions of this Sublease. Subtenant agrees that Sublandlord may (but shall not be required to) apply the security deposit in whole or in part to remedy any damage to the Premises caused by Subtenant, Subtenant's Agents or Subtenant's Invitees, or any failure of Subtenant to perform any other terms, covenants or conditions contained in this Sublease, without waiving any of Sublandlord's other rights and remedies hereunder or at Law or in equity. Should Sublandlord use any portion of the security deposit to cure any Event of Default by Subtenant hereunder, Subtenant shall immediately replenish the security deposit to the original amount, and Subtenant's failure to do so within five (5) days of Sublandlord's notice shall constitute a material Event of Default under this Sublease. Sublandlord's



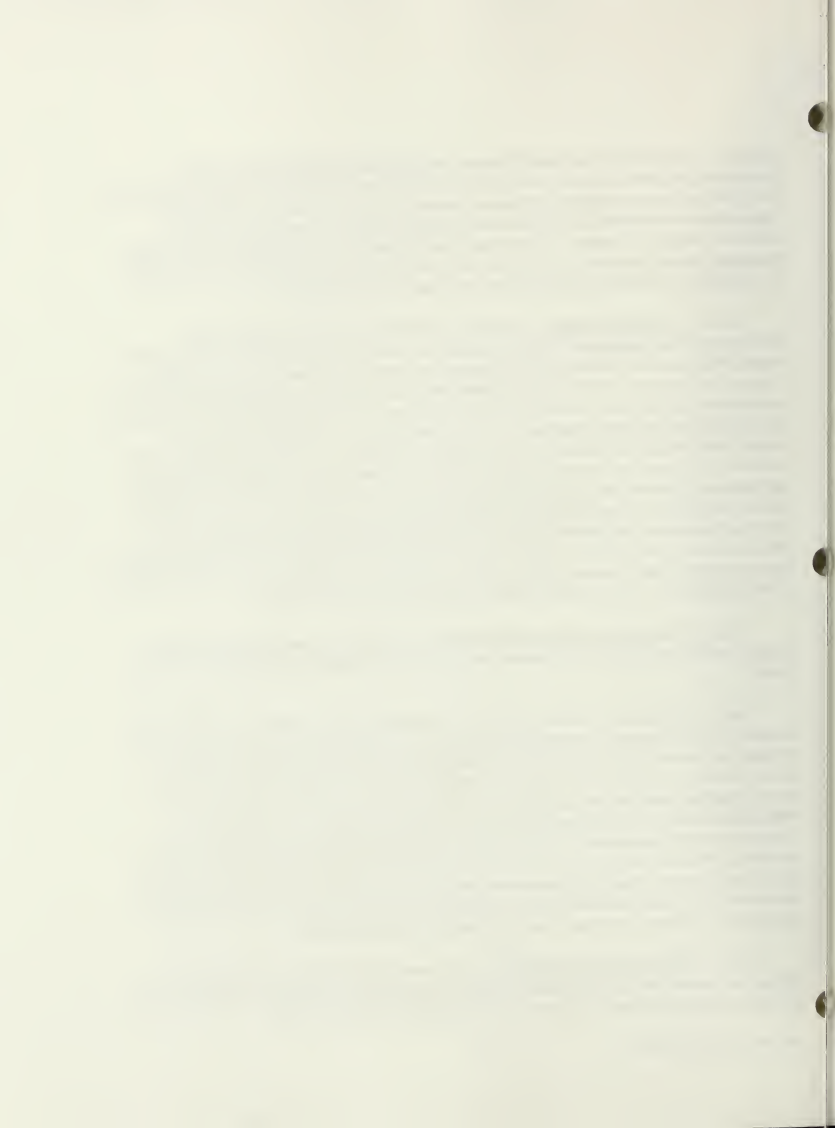
obligations with respect to the security deposit are solely that of debtor and not trustee. Sublandlord shall not be required to keep the security deposit separate from its general funds, and Subtenant shall not be entitled to any interest on such deposit. The amount of the security deposit shall not be deemed to limit Subtenant's liability for the performance of any of its obligations under this Sublease. To the extent that Sublandlord is not entitled to retain or apply the security deposit pursuant to this Section 20.3, Sublandlord shall return such security deposit to Sublandlord within thirty (30) days of the termination of this Sublease.

20.4. No Implied Waiver. No failure by Sublandlord to insist upon the strict performance of any obligation of Subtenant under this Sublease or to exercise any right, power or remedy arising out of a breach thereof, irrespective of the length of time for which such failure continues, no acceptance of full or partial Rent during the continuance of any such breach, and no acceptance of the keys to or possession of the Premises prior to the expiration of the Term by any Agent of Sublandlord, shall constitute a waiver of such breach or of Sublandlord's right to demand strict compliance with such term, covenant or condition or operate as a surrender of this Sublease. No express written waiver of any default or the performance of any provision hereof shall affect any other default or performance, or cover any other period of time, other than the default, performance or period of time specified in such express waiver. One or more written waivers of a default or the performance of any provision hereof shall not be deemed to be a waiver of a subsequent default or performance. The consent of Sublandlord given in any instance under the terms of this Sublease shall not relieve Subtenant of any obligation to secure the consent of Sublandlord in any other or future instance under the terms of this Sublease.

20.5. Amendments. Neither this Sublease nor any term or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the Parties hereto.

20.6. Authority. If Subtenant signs as a corporation, a partnership or a limited liability company, each of the persons executing this Sublease on behalf of Subtenant does hereby covenant and warrant that Subtenant is a duly authorized and existing entity, that Subtenant has and is qualified to do business in California, that Subtenant has full right and authority to enter into this Sublease, and that each and all of the persons signing on behalf of Subtenant are authorized to do so. Upon Sublandlord's request, Subtenant shall provide Sublandlord with evidence reasonably satisfactory to Sublandlord confirming the foregoing representations and warranties. Without limiting the generality of the foregoing, Subtenant represents and warrants that it has full power to make the waivers and releases, indemnities and the disclosure set forth herein, and that it has received independent legal advice from its attorney as to the advisability of entering into a sublease containing those provisions and their legal effect.

20.7. Joint and Several Obligations. The word "Subtenant" as used herein shall include the plural as well as the singular. If there is more than one Subtenant, the obligations and liabilities under this Sublease imposed on Subtenant shall be joint and several.

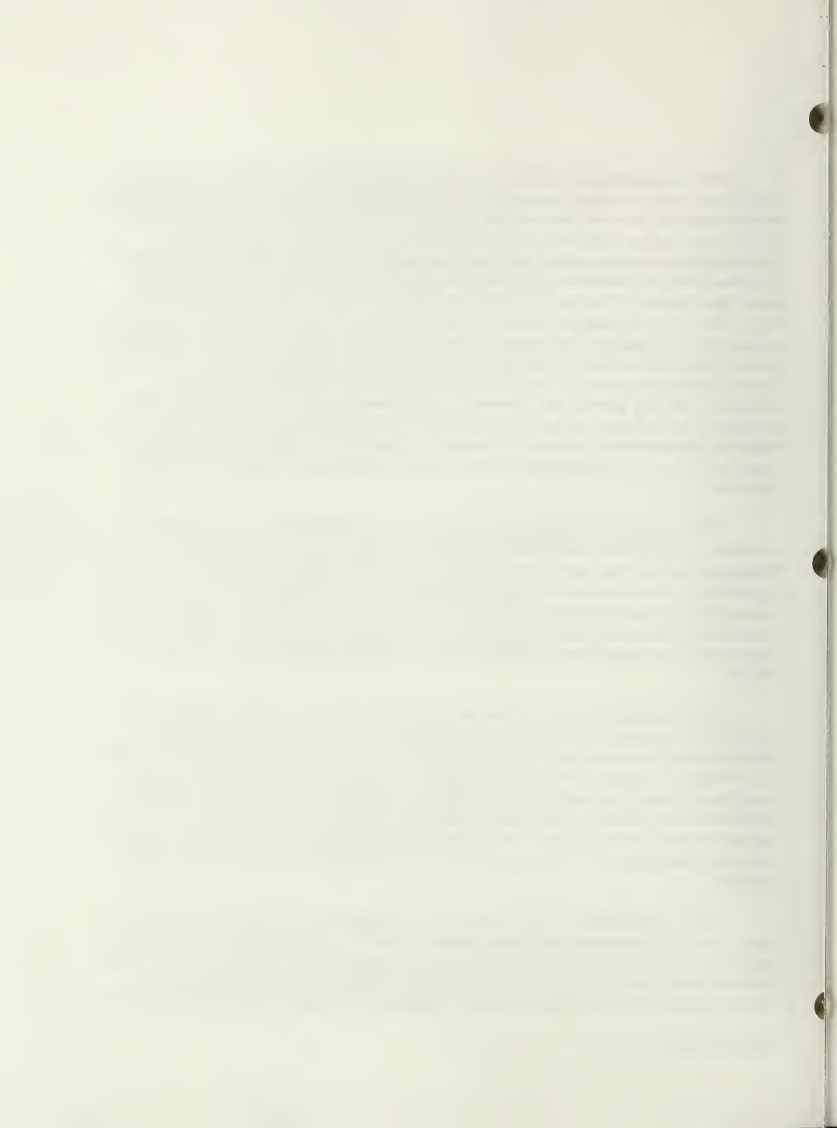


20.8. Interpretation of Sublease. The captions preceding the articles and sections of this Sublease and in the table of contents have been inserted for convenience of reference only and such captions shall in no way define or limit the scope or intent of any provision of this Sublease. This Sublease has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein and shall be interpreted to achieve the intents and purposes of the Parties, without any presumption against the party responsible for drafting any part of this Sublease. Provisions in this Sublease relating to number of days shall be calendar days, unless otherwise specified, provided that if the last day of any period to give notice, reply to a notice or to undertake any other action occurs on a Saturday, Sunday or a bank or Sublandlord holiday, then the last day for undertaking the action or giving or replying to the notice shall be the next succeeding business day. Use of the word "including" or similar words shall not be construed to limit any general term, statement or other matter in this Sublease, whether or not language of non-limitation, such as "without limitation" or similar words, are used. Unless otherwise provided herein, whenever the consent of Sublandlord is required to be obtained by Subtenant hereunder, Sublandlord may give or withhold such consent in its sole and absolute discretion.

20.9. Successors and Assigns. Subject to the provisions of Section 13, the terms, covenants and conditions contained in this Sublease shall bind and inure to the benefit of Sublandlord and Subtenant and, except as otherwise provided herein, their personal representatives and successors and assigns; provided, however, that upon any transfer by Sublandlord (or by any subsequent Sublandlord) of its interest in the Premises as lessee, including any transfer by operation of Law, Sublandlord (or any subsequent Sublandlord) shall be relieved from all subsequent obligations and liabilities arising under this Sublease subsequent to such transfer.

20.10. Brokers. Neither party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the Sublease contemplated herein. In the event that any broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes a claim shall be responsible for such commission or fee and shall Indemnify the other party from any and all Losses incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Sublease.

20.11. Severability. If any provision of this Sublease or the application thereof to any person, entity or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Sublease, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Sublease shall be valid and be enforceable to the fullest extent permitted by Law.



20.12. Governing Law. This Sublease shall be construed and enforced in accordance with the Laws of the State of California and the federal government.

20.13. Entire Agreement. This instrument (including the exhibits hereto, which are made a part of this Sublease) contains the entire agreement between the Parties and supersedes all prior written or oral negotiations, discussions, understandings and agreements. The Parties further intend that this Sublease shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including prior drafts of this Sublease and any changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Sublease. Subtenant hereby acknowledges that neither Sublandlord nor Sublandlord's Agents have made any representations or warranties with respect to the Premises or this Sublease except as expressly set forth herein, and no rights, easements or licenses are or shall be acquired by Subtenant by implication or otherwise unless expressly set forth herein. Notwithstanding the foregoing, the Parties shall make a good faith effort to negotiate mutually acceptable changes to this Sublease, if any, within ninety (90) days of the date hereof, provided however, that such changes, if any, shall be subject to the approval of the Master Landlord.

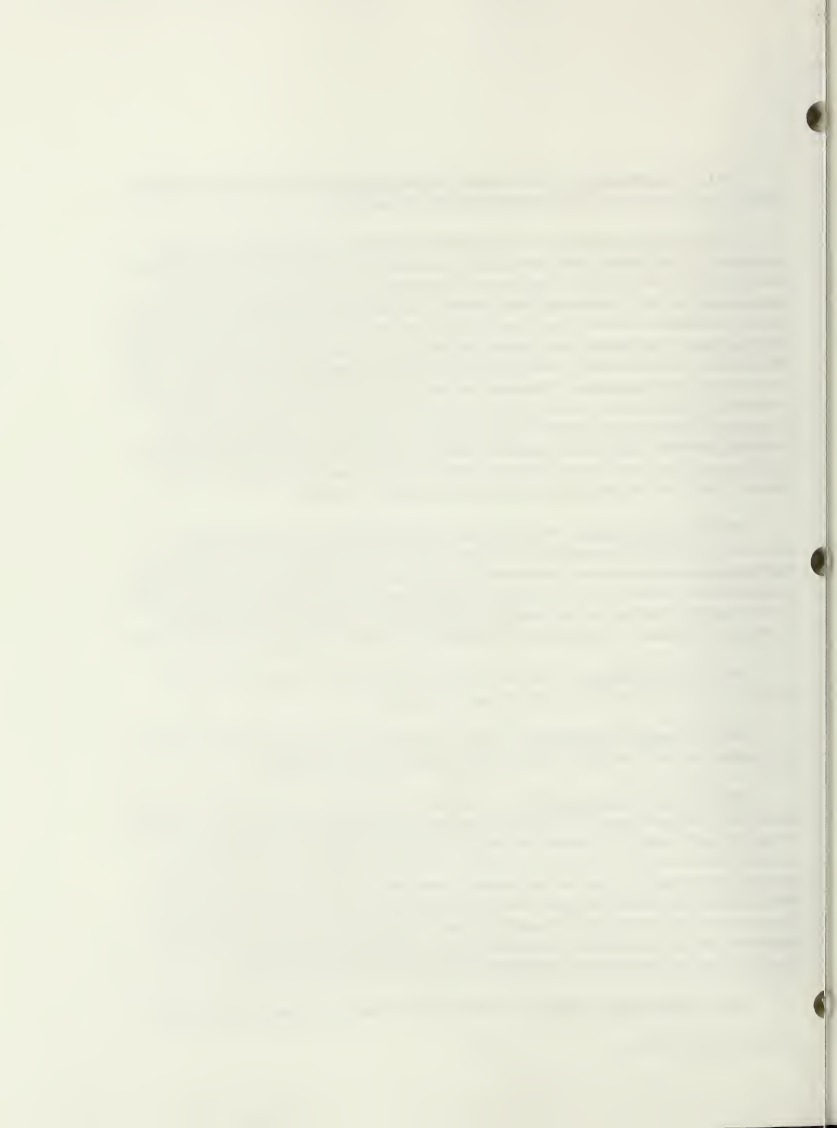
20.14. Attorneys' Fees. In the event that either Sublandlord or Subtenant fails to perform any of its obligations under this Sublease or in the event a dispute arises concerning the meaning or interpretation of any provision of this Sublease, the defaulting party or the party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party in enforcing or establishing its rights hereunder (whether or not such action is prosecuted to judgment), including, without limitation, court costs and reasonable attorneys' fees.

20.15. Time of Essence. Time is of the essence with respect to all provisions of this Sublease in which a definite time for performance is specified.

20.16. Cumulative Remedies. All rights and remedies of either party hereto set forth in this Sublease shall be cumulative, except as may otherwise be provided herein.

20.17. Survival of Indemnities. Termination of this Sublease shall not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the other party under this Sublease, nor shall it affect any provision of this Sublease that expressly states it shall survive termination hereof. Subtenant specifically acknowledges and agrees that, with respect to each of the indemnities contained in this Sublease, Subtenant has an immediate and independent obligation to defend Sublandlord and the other Indemnified Parties from any claim which actually or potentially falls within the indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to Subtenant by Sublandlord and continues at all times thereafter.

20.18. Relationship of Parties. Sublandlord is not, and none of the provisions in this



Sublease shall be deemed to render Sublandlord, a partner in Subtenant's business, or joint venturer or member in any joint enterprise with Subtenant. This Sublease is not intended nor shall it be construed to create any third party beneficiary rights in any third party, unless otherwise expressly provided. The granting of this Sublease by Sublandlord does not constitute authorization or approval by Sublandlord of any activity conducted by Subtenant on, in or relating to the Premises.

20.19. Recording. Subtenant agrees that it shall not record this Sublease nor any memorandum or short form hereof in the official records of any county.

20.20. Non-Liability of Indemnified Parties' officials, employees and Agents. No elective or appointive board, commission, member, officer or employee of any of the Indemnified Parties shall be personally liable to Subtenant, its successors and assigns, in the event of any default or breach by Sublandlord or for any amount which may become due to Subtenant, its successors and assigns, or for any obligation of Sublandlord under this Agreement.

20.21. No Discrimination. Subtenant shall comply with the non-discrimination provisions of Section 19.1 of the Master Lease, including, without limitation, posting all notices required therein.

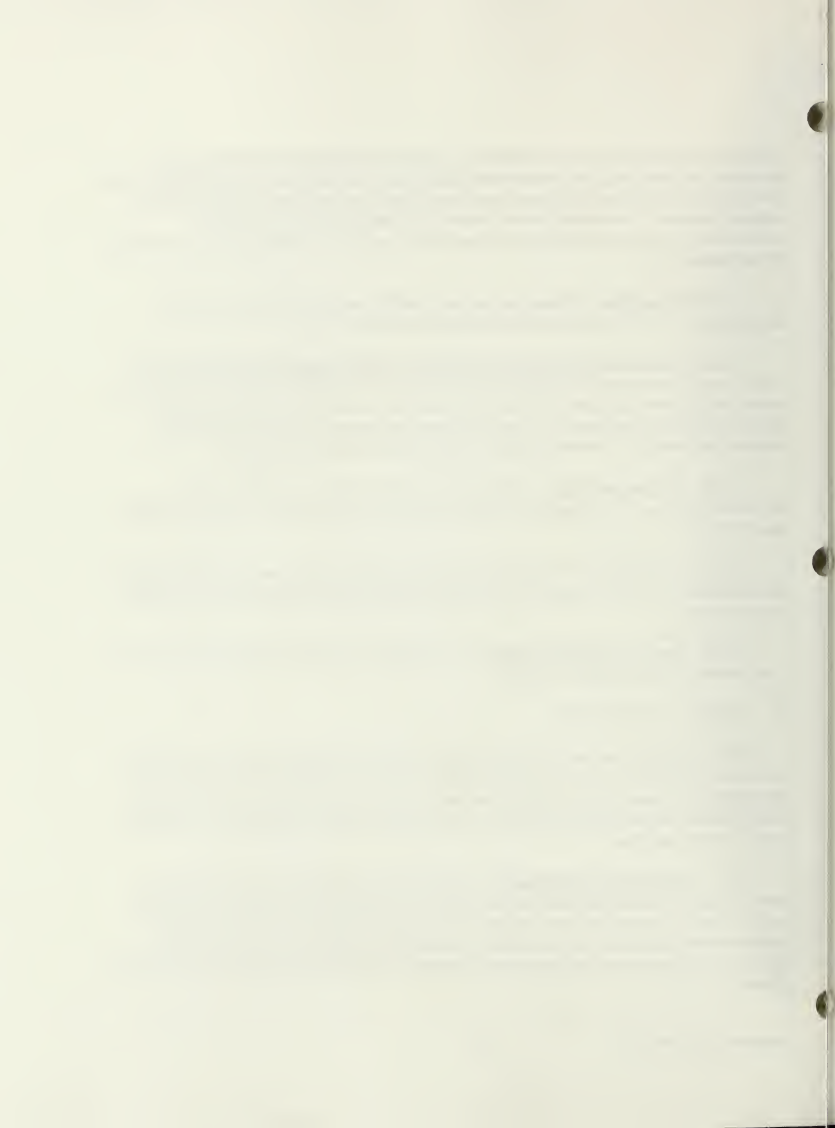
20.22. Counterparts. This Sublease may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

20.23. Master Landlord's Consent. This Sublease is expressly conditioned upon receipt of the written consent of Master Landlord

21. SPECIAL PROVISIONS

21.1. Signs. Subtenant agrees that it will not erect or maintain, or permit to be erected or maintained, any signs, notices or graphics upon or about the Premises which are visible in or from public corridors or other portions of any common areas of the Building or from the exterior of the Premises, without Sublandlord's prior written consent, which Sublandlord may withhold or grant in its sole discretion.

21.2. Public Transit Information. Subtenant shall establish and carry on during the Term a program to encourage maximum use of public transportation by personnel of Subtenant employed on the Premises, including, without limitation, the distribution to such employees of written materials explaining the convenience and availability of public transportation facilities adjacent or proximate to the Building and encouraging use of such facilities, all at Subtenant's sole expense.



21.3. Non-Discrimination.

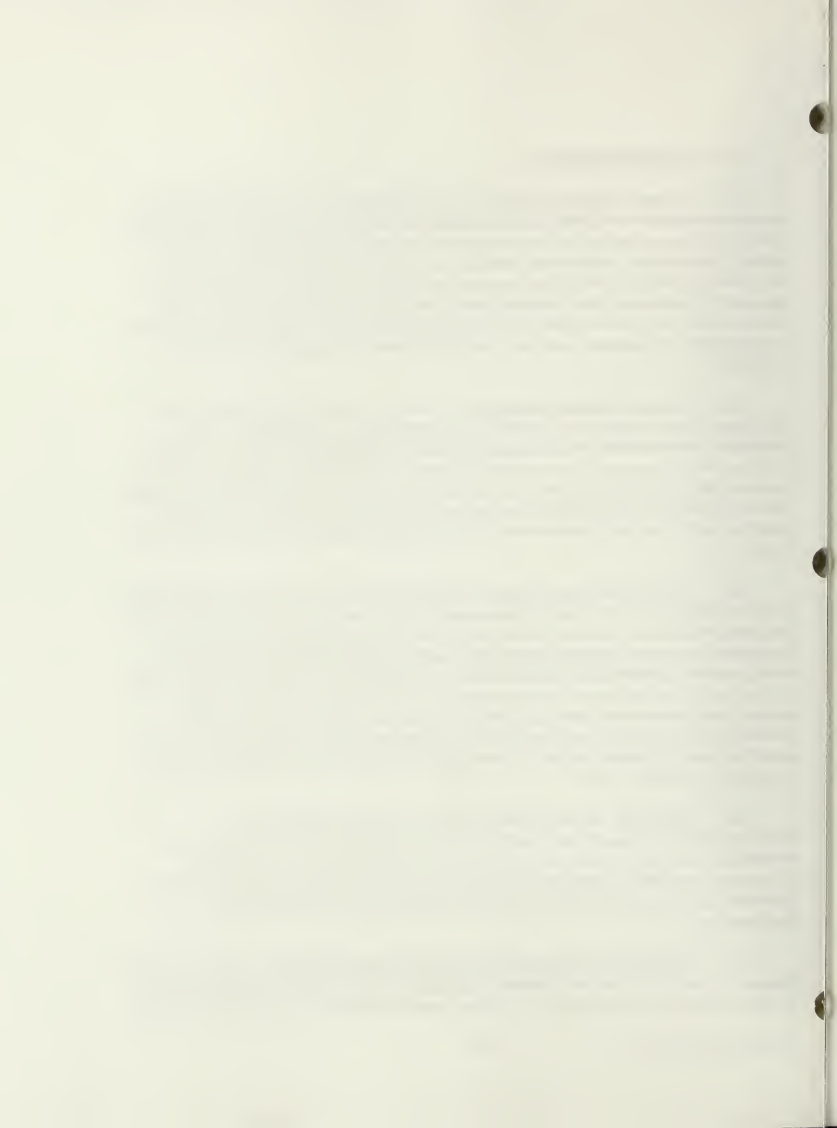
(a) Covenant Not to Discriminate. In the performance of this Sublease, Subtenant covenants and agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status) against any employee of, any City employee working with, or applicant for employment with, Subtenant in any of Subtenant's operations within the United States, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by Subtenant.

(b) Subleases and Other Subcontracts. Subtenant shall include in all Subleases and other subcontracts relating to the Premises a non-discrimination clause applicable to such subtenant or other subcontractor in substantially the form of subsection (a) above. In addition, Subtenant shall incorporate by reference in all subleases and other subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require all subtenants and other subcontractors to comply with such provisions. Subtenant's failure to comply with the obligations in this subsection shall constitute a material breach of this Sublease.

(c) Non-Discrimination in Benefits. Subtenant does not as of the date of this Sublease and will not during the Term, in any of its operations in San Francisco or where the work is being performed for the City or elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(d) HRC Form. Subtenant shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission (the "HRC"). Subtenant hereby represents that prior to execution of this Sublease, Subtenant executed and submitted to the HRC Form HRC-12B-101 with supporting documentation.

(e) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the lease of City property are incorporated in this Section by reference



and made a part of this Agreement as though fully set forth herein. Subtenant shall comply fully with and be bound by all of the provisions that apply to this Sublease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Subtenant understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Sublease may be assessed against Subtenant and/or deducted from any payments due Subtenant.

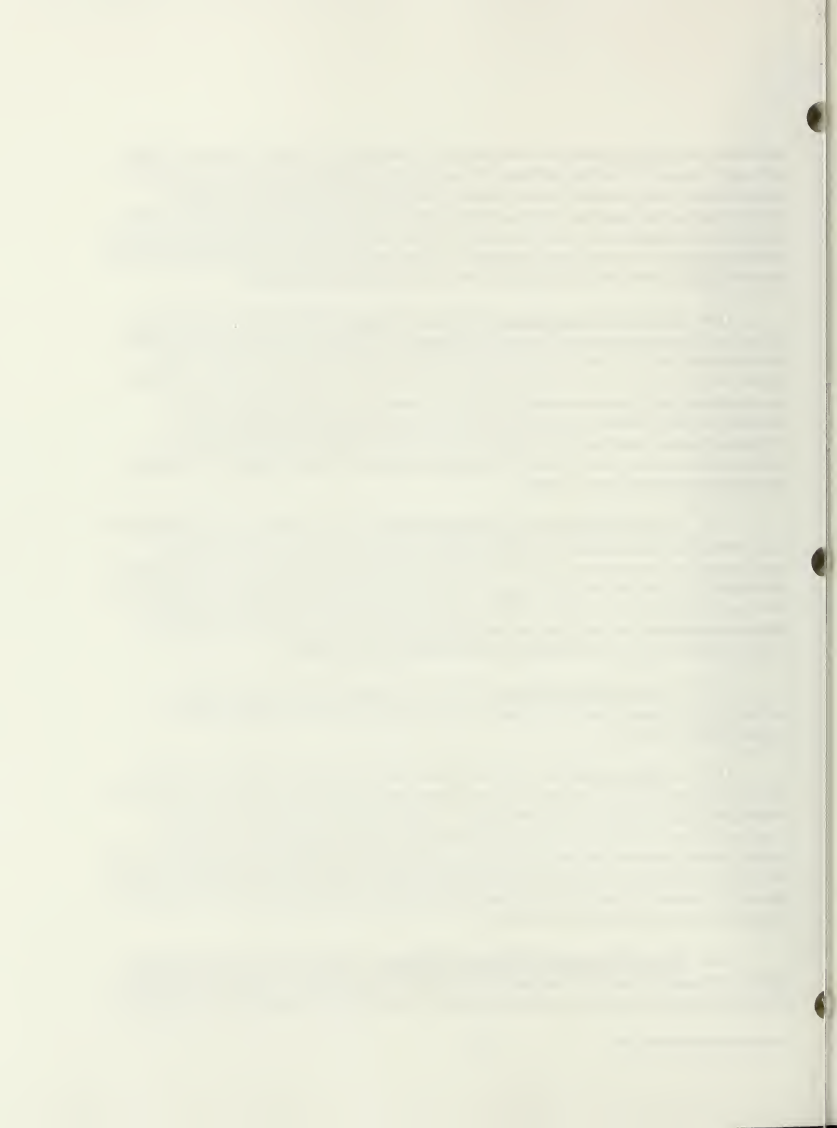
21.4. No Relocation Assistance; Waiver of Claims. Subtenant acknowledges that it will not be a displaced person at the time this Sublease is terminated or expires by its own terms, and Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all Claims against, and covenants not to sue, Sublandlord, its departments, commissions, officers, directors and employees, and all persons acting by, through or under each of them, under any laws, including, without limitation, any and all claims for relocation benefits or assistance from Sublandlord under federal and state relocation assistance laws (including, but not limited to, California Government Code Section 7260 et seq.), except as otherwise specifically provided in this Sublease with respect to a Taking.

21.5. MacBride Principles - Northern Ireland. The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, et seq. The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Subtenant acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

21.6. Tropical Hardwood Ban. The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product.

21.7. Conflicts of Interest. Subtenant states that it is familiar with the provisions of Section 8.105 and 8.106 of the San Francisco Charter and certifies that it knows of no facts which would constitute a violation of such provisions. Subtenant further certifies that it has made a complete disclosure to the Sublandlord of all facts bearing on any possible interests, direct or indirect, which Subtenant believes any officer or employee of the Sublandlord presently has or will have in this Sublease or in the performance thereof or in any portion of the profits thereof. Willful failure by Subtenant to make such disclosure, if any, shall constitute grounds for the Sublandlord's termination and cancellation of this Sublease.

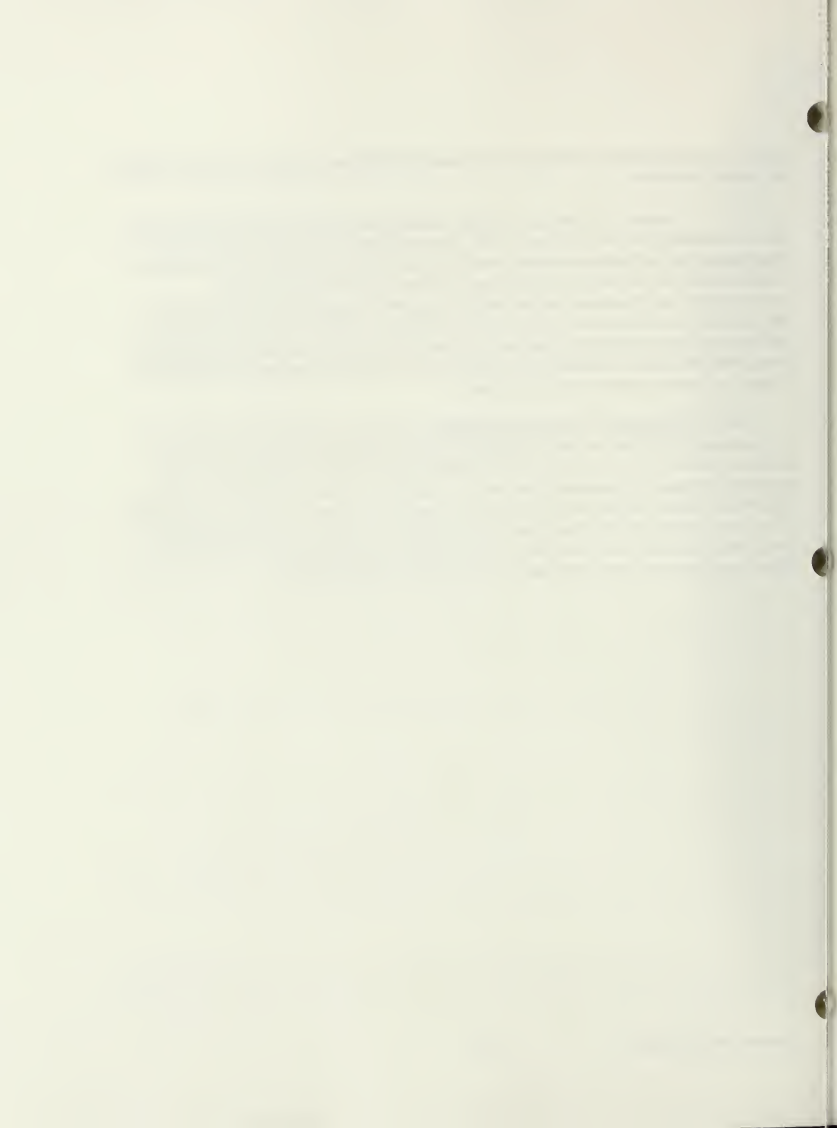
21.8. Burma (Myanmar) Business Prohibition. Subtenant is not the government of Burma (Myanmar), a person or business entity organized under the laws of Burma (Myanmar) or a "prohibited person or entity" as defined in Section 12J.2(G) of the San Francisco Administrative



Code. The Authority reserves the right to terminate this Sublease for default if Subtenant violates the terms of this clause.

Chapter 12J of the San Francisco Administrative Code is hereby incorporated by reference as though fully set forth herein. The failure of Subtenant to comply with any of its requirements shall be deemed a material breach of this Sublease. In the event Subtenant fails to comply in good faith with any of the provisions of Chapter 12J of the San Francisco Administrative Code, Subtenant shall be liable for liquidated damages for each violation in an amount equal to Subtenant's net profit under this Sublease, or 10% of the total amount of the Sublease, or \$1,000, whichever is greatest. Subtenant acknowledges and agrees the liquidated damages assessed shall be payable to the Authority upon demand and may be setoff against any moneys due to the Subtenant from this Sublease.

21.9. Prohibition of Tobacco Advertising. Subtenant acknowledges and agrees that no advertising of cigarettes or tobacco products is allowed on any real property owned by or under the control of the City or the Authority, including the Premises and the Property. This prohibition includes the placement of the name of a company producing selling or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. This prohibition does not apply to any advertisement sponsored by a state, local or nonprofit entity designed to communicate the health hazards of cigarettes and tobacco products or to encourage people not to smoke or to stop smoking.



Sublandlord and Subtenant have executed this Sublease in triplicate as of the date first written above.

SUBTENANT:

**W. Wong Construction Co., Inc.,
a California Corporation**

By: Walter Wong

Its: per se

Date: 7-13-99

SUBLANDLORD:

The Treasure Island Authority

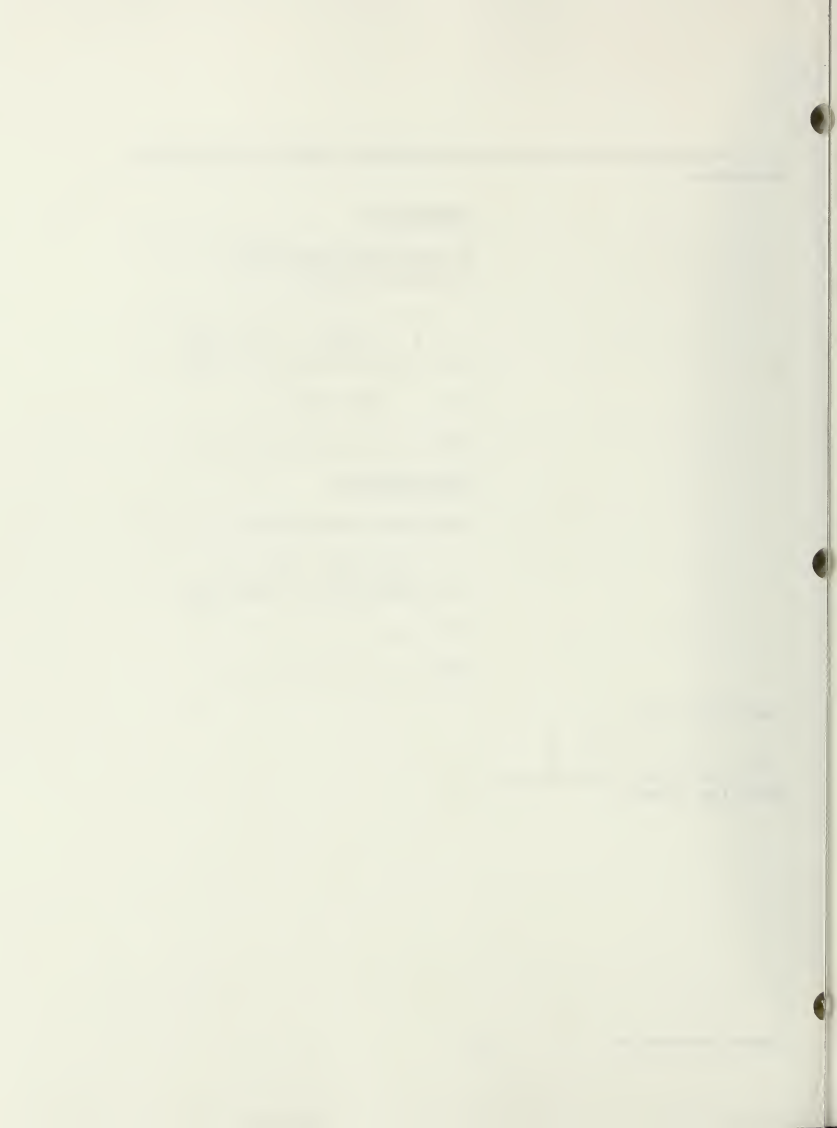
By: Robert M. [Signature]

Its: _____

Date: _____

Approved as to Form:

Michael Cal
Deputy City Attorney





TREASURE ISLAND DEVELOPMENT AUTHORITY
City and County of San Francisco

Agenda Item No. 10

Meeting of February 9, 2000

Subject: Resolution authorizing the Authority for an extension of a month-to-month sublease with Island Creative Management for Building 99..

Contact/Phone: Annemarie Conroy, Executive Director
Robert Mahoney, Facility Manager
Daniel Hwang, Development Specialist
274-0660

SUMMARY OF PROPOSED ACTION

The staff is requesting the Authority to adopt a resolution to continue a month-to-month sublease with Island Creative Management for the use of Building 99 on the same terms as the original sublease.

DISCUSSION

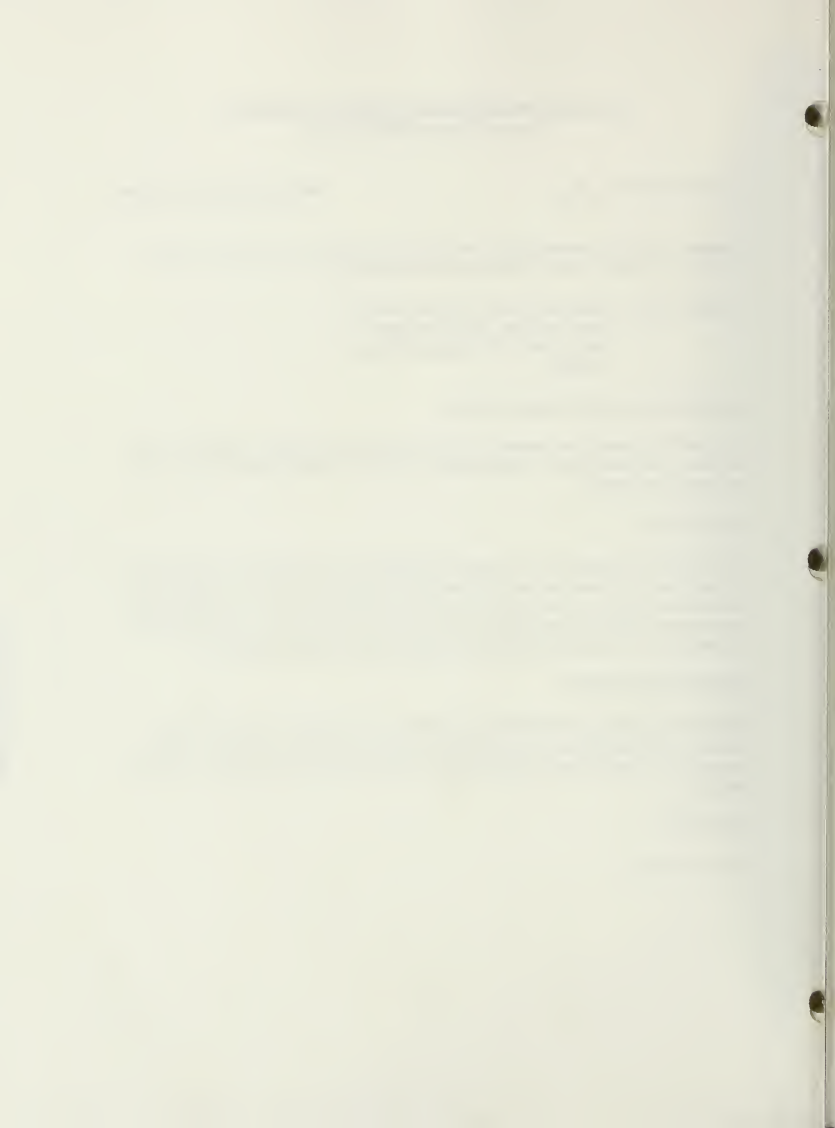
The sublease provides for use of a portion of Building 99 by Island Creative Management for building sets in television and film production, and special events. The sublease is on a month-to-month term. The monthly base rent is \$6,000 for the use of the building under the Authority's Rules and Procedures for the transfer of Real Property. Continuation of this sublease on a month-to-month basis requires separate Authority approval.

RECOMMENDATION

Staff recommends approval for the Executive Director to continue a month-to-month sublease with Island Creative Management for up to an additional six months. Further continuation of the Sublease beyond August 31, 2000 would require additional Authority approval.

EXHIBITS

Original Sublease



FILE NO. _____

RESOLUTION NO. _____

[Continuation of Month-to-Month Sublease of Building 99]

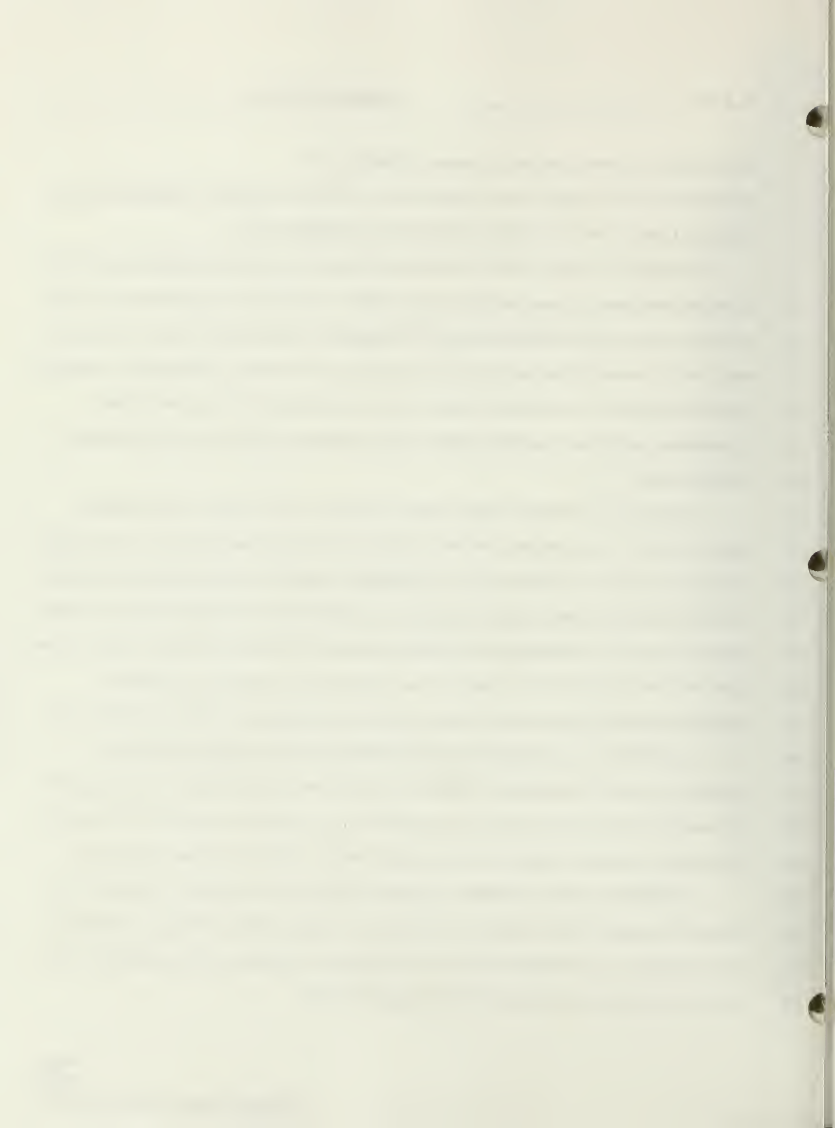
AUTHORIZING THE EXECUTIVE DIRECTOR TO EXTEND A MONTH-TO-MONTH LEASE
FOR BUILDING 99 WITH ISLAND CREATIVE MANAGEMENT INC.

WHEREAS, On May 2, 1997, the Board of Supervisors passed Resolution No. 380-97,
authorizing the Mayor's Treasure Island Project Office to establish a nonprofit public benefit
corporation known as the Treasure Island Development Authority (the "Authority") to act as a
single entity focused on the planning, redevelopment, reconstruction, rehabilitation, reuse and
conversion of former Naval Station Treasure Island (the "Base") for the public interest,
convenience, welfare and common benefit of the inhabitants of the City and County of San
Francisco; and,

WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended
Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter
1333 of the Statutes of 1968 (the "Act"), the California legislature (i) designated the Authority
as a redevelopment agency under California redevelopment law with authority over the Base
upon approval of the City's Board of Supervisors, and, (ii) with respect to those portions of the
Base which are subject to the Tidelands Trust, vested in the Authority the authority to
administer the public trust for commerce, navigation and fisheries as to such property;; and,

WHEREAS, The Tidelands Trust prohibits the sale of trust property into private
ownership, generally requires that Tidelands Trust property be accessible to the public and
encourages public-oriented uses of trust property that, among other things, attract people to
the waterfront, promote public recreation, protect habitat and preserve open space; and,

WHEREAS, In order to facilitate productive reuse and job creation on the Base, the
Authority has leased certain property on the Base, including, without limitation, Building 99
(the "Premises"), from the Navy and, in turn, subleases or sublicenses such property to third-
parties or uses such property for municipal purposes; and,



1 WHEREAS, On September 1, 1999 the Authority's Executive Director, acting under
2 Section 10 of the Authority's Rules and Procedures for the Transfer and Use of Real
3 Property, adopted by the Authority on March 11, 1998 (the "Transfer Rules"), entered into a
4 month-to-month sublease (the "Sublease"), a copy of which is attached hereto as Exhibit A,
5 with Island Creative Management, Inc. ("Subtenant") for the use of a portion of the Premises
6 for the building of sets used in television and film production and in connection with special
7 events, at a rental rate of Six Thousand Dollars (\$6,000) per month; and,

8 WHEREAS, Under Section 10 of the Transfer Rules, even a month-to-month sublease
9 has to be separately approved by the Authority if the cumulative term of such sublease
10 exceeds six months; and,

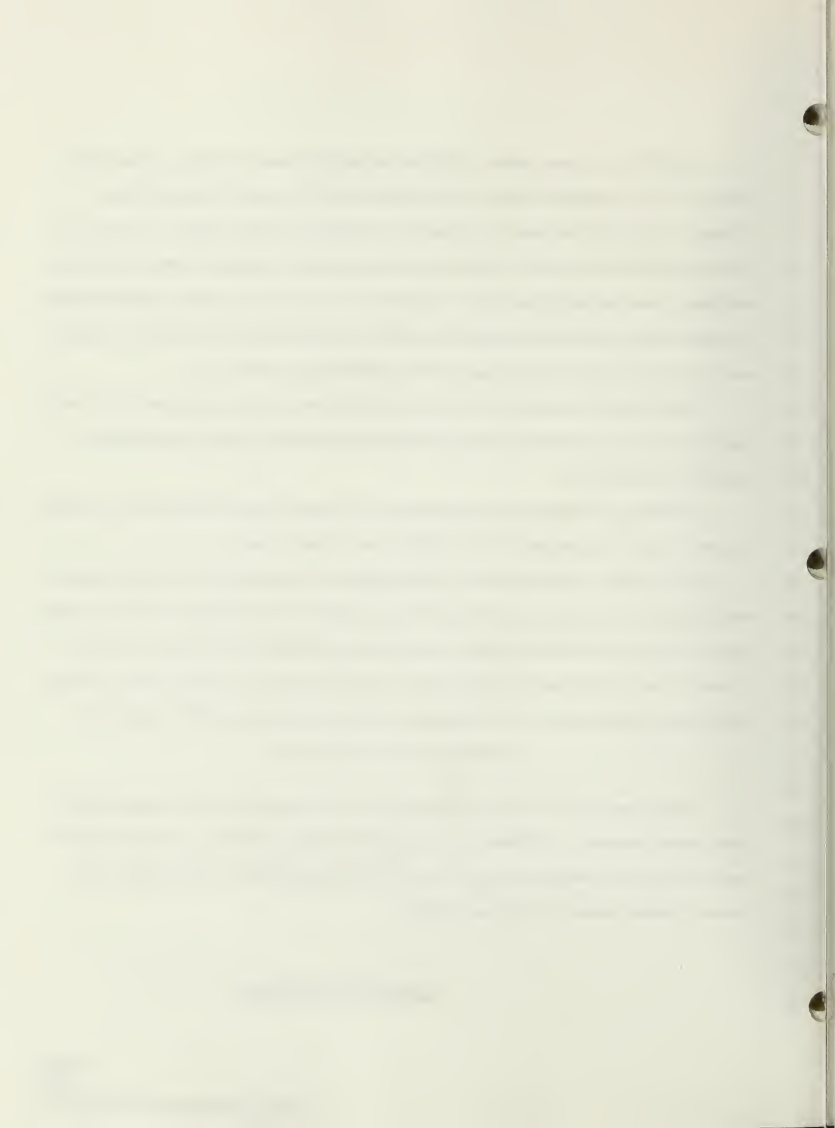
11 WHEREAS, Subtenant wishes to continue its occupancy of the Premises on a month-
12 to-month basis for at least another six months; Now, therefore, be it,

13 RESOLVED, That the Authority hereby approves and authorizes the continuation of
14 the Sublease on a month-to-month basis for up to another six months, provided that nothing
15 herein shall limit the Authority's ability to terminate the Sublease on thirty days notice as
16 provided therein, and provided further that any continued occupancy of the Premises under
17 the Sublease past August 31, 2000 shall require the separate approval of the Authority.

18 **CERTIFICATE OF SECRETARY**

19 *I hereby certify that I am the duly elected and acting Secretary of the Treasure Island*
20 *Development Authority, a California nonprofit public benefit corporation, and that the above*
21 *Resolution was duly adopted and approved by the Board of Directors of the Authority at a*
22 *properly noticed meeting on February 9, 2000.*
23
24

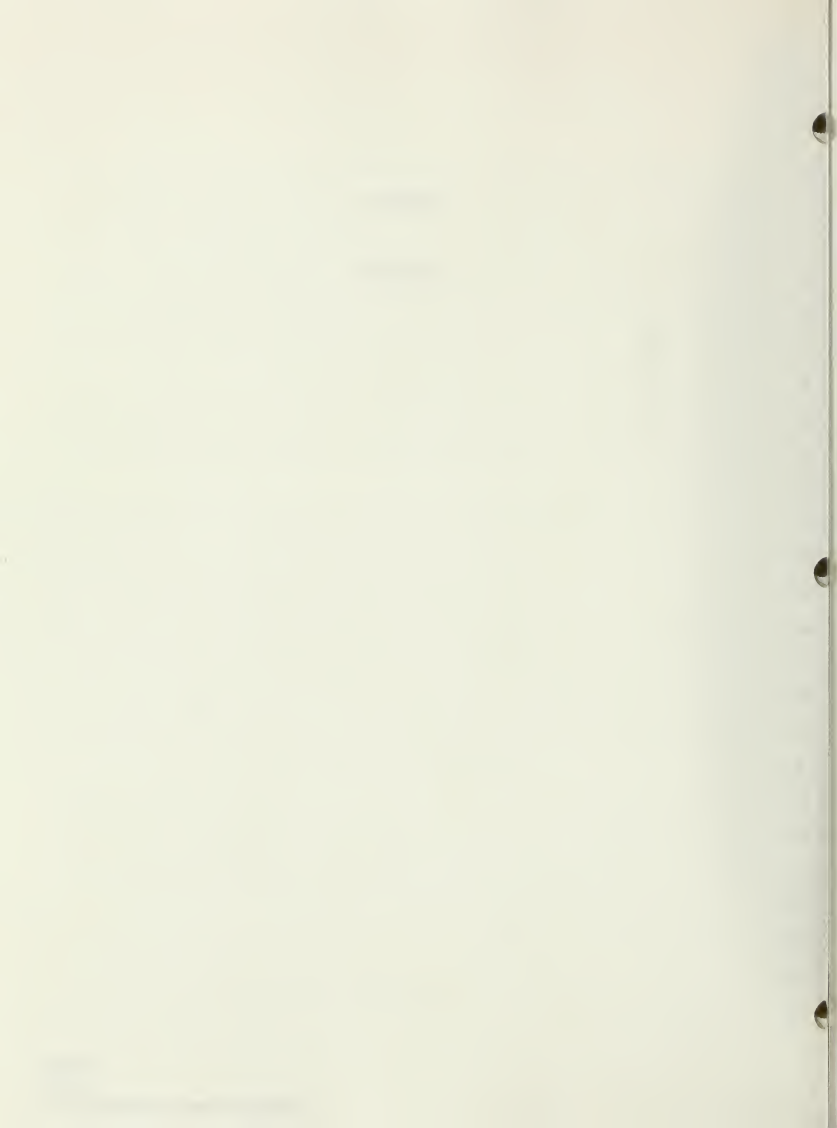
25 _____
John Elberling, Secretary



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EXHIBIT A

SUBLEASE



SUBLEASE

between

THE TREASURE ISLAND DEVELOPMENT AUTHORITY

as Sublandlord

and

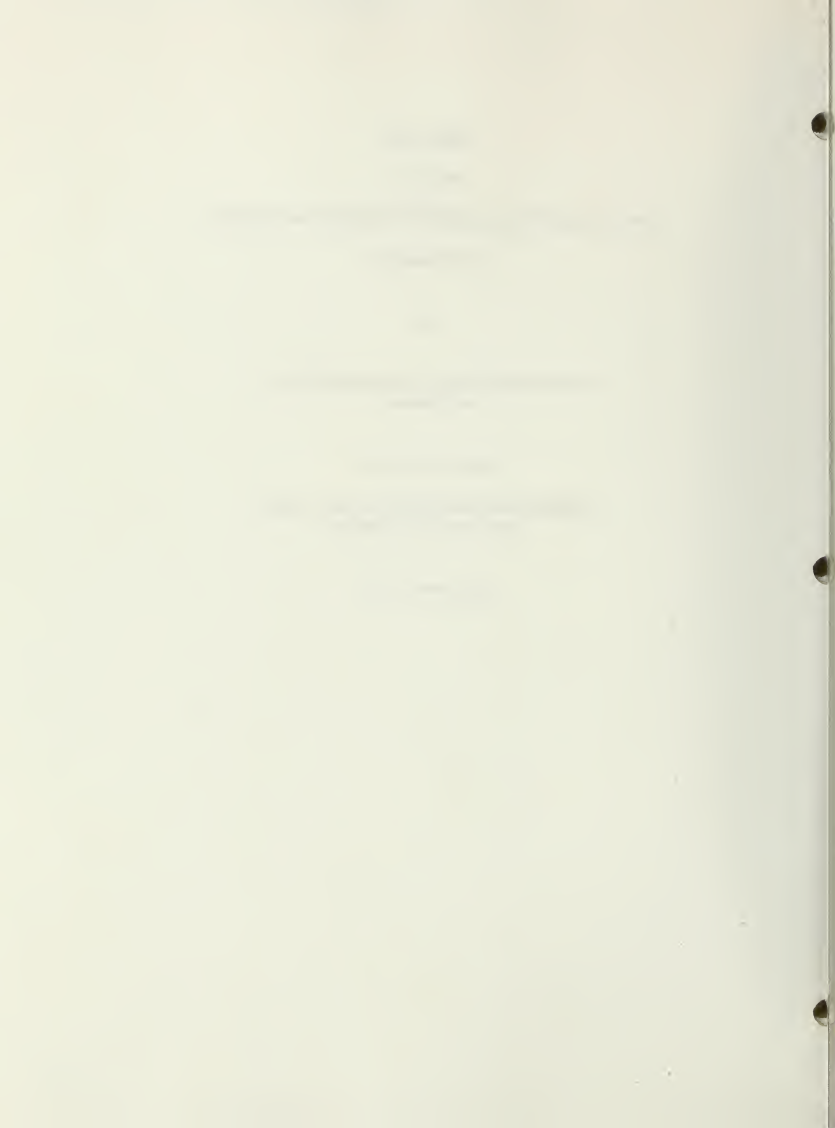
ISLAND CREATIVE MANAGEMENT LLC

as Subtenant

For the Sublease of

**Building 99 at Naval Station Treasure Island
San Francisco, California**

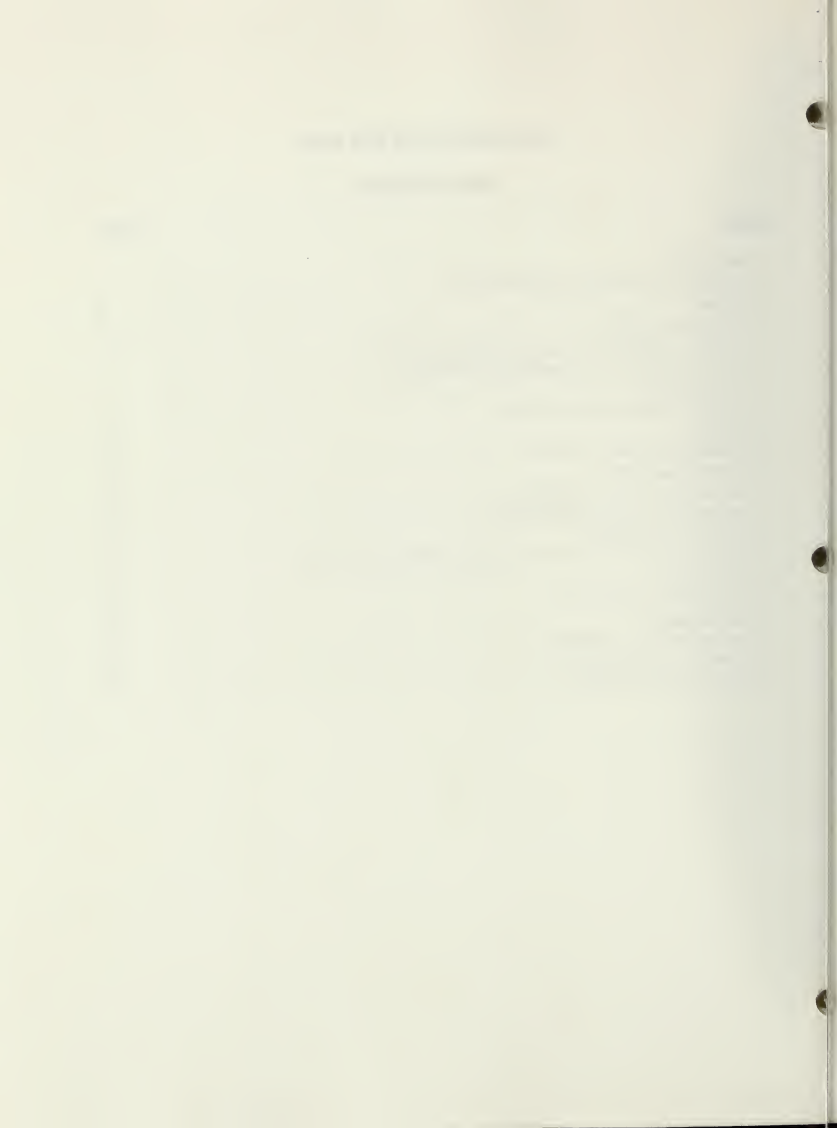
September 1, 1999



TREASURE ISLAND SUBLEASE

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LIST OF EXHIBITS:

EXHIBIT A -- Master Lease
EXHIBIT B -- Drawing of Premises
EXHIBIT C -- Seismic Report
EXHIBIT D -- Rules and Regulations
EXHIBIT E -- Utilities

TREASURE ISLAND SUBLEASE

THIS SUBLEASE (the "Sublease"), dated as of this 1st of September, 1999, is by and between the Treasure Island Development Authority ("Sublandlord") and Island Creative Management, a Limited Liability Corporation ("Subtenant"). From time to time, Sublandlord and Subtenant together shall be referred to herein as the "Parties".

This Sublease is made with reference to the following facts and circumstances:

A. The United States of America, acting by and through the Department of Navy ("Master Landlord") and Sublandlord entered into a lease dated September 4, 1998, as amended by that certain Amendment to Lease dated January 14, 1999, (the "Master Lease"), a copy of which is attached hereto as Exhibit A. Under the Master Lease, the Master Landlord leased to Sublandlord on Naval Station Treasure Island (the "Property"), among other things, Building 99 (the "Building"), together with a non-exclusive right to use certain parking areas adjacent thereto, all as more particularly shown on the map attached hereto as Exhibit B (the "Premises").

B. Subtenant desires to sublet the Premises from Sublandlord and Sublandlord is willing to sublet the Premises to Subtenant on the terms and conditions contained in this Sublease.

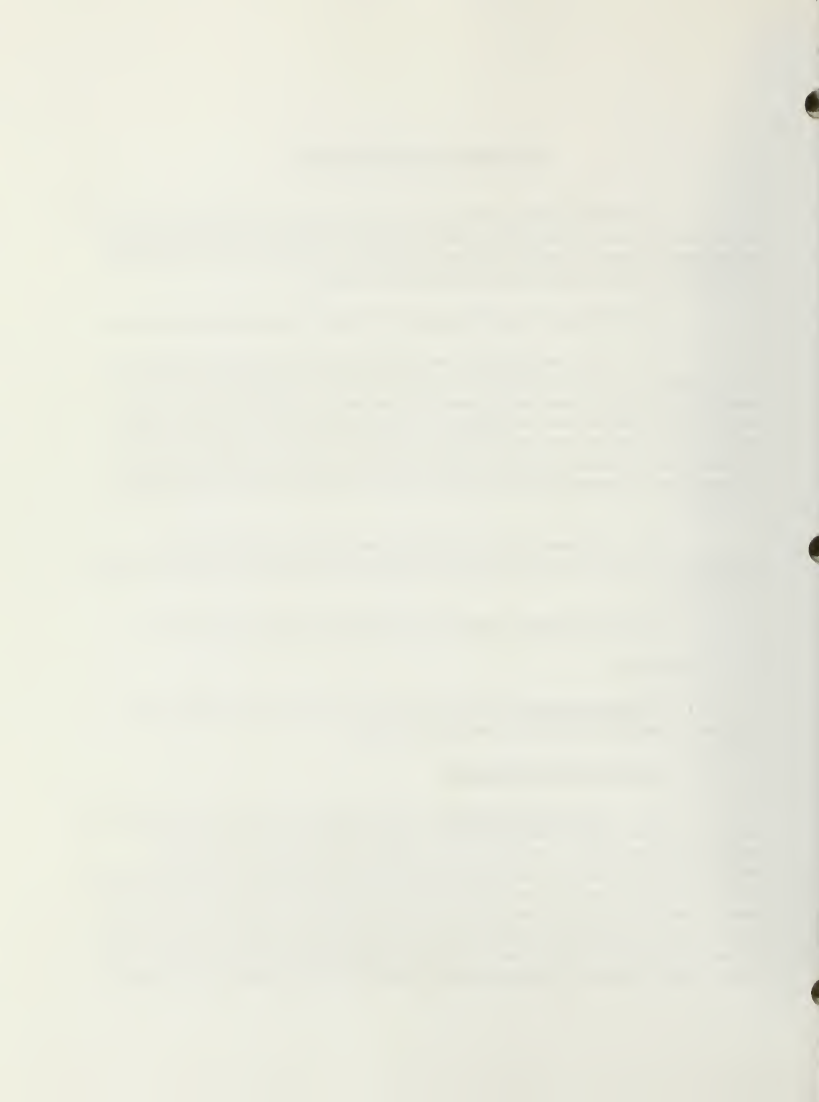
NOW THEREFORE, Sublandlord and Subtenant hereby agree as follows:

1. PREMISES

1.1. Subleased Premises. Subject to the terms, covenants and conditions of this Sublease, Sublandlord subleases to Subtenant the Premises.

1.2. As Is Condition of Premises.

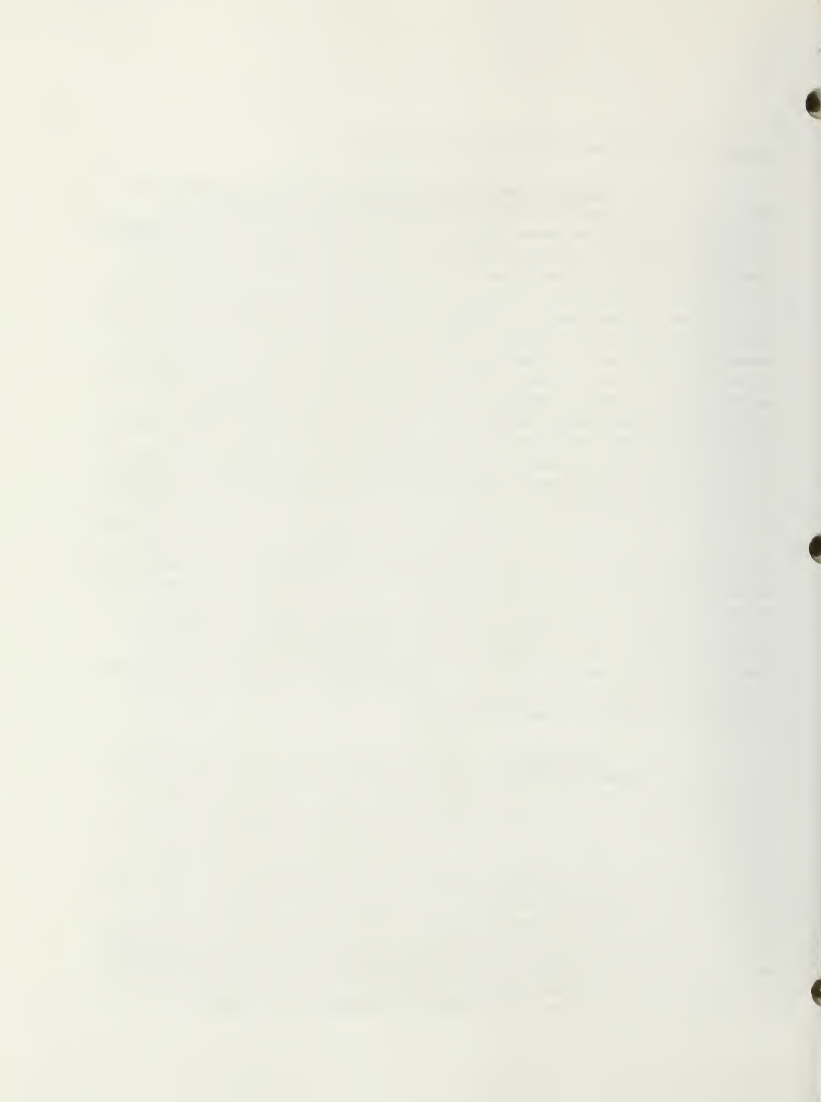
(a) Inspection of Premises. Subtenant represents and warrants that Subtenant has conducted a thorough and diligent inspection and investigation, either independently or through its officers, directors, employees, agents, affiliates, subsidiaries, licensees and contractors, and their respective heirs, legal representatives, successors and assigns, and each of them, ("Subtenant's Agents") of the Premises and the suitability of the Premises for Subtenant's intended use. Subtenant is fully aware of the needs of its operations and has determined, based solely on its own investigation, that the Premises are suitable for its operations and intended uses. As part of its inspection of the Premises, Subtenant acknowledges its receipt and review of the Seismic Report referenced in Section 1.2(c) below and the Joint Inspection Report referenced in



Inspection Report referenced in Section 6 of the Master Lease.

(b) **As Is; Disclaimer of Representations.** Subtenant acknowledges and agrees that the Premises are being subleased and accepted in their "AS IS, WITH ALL FAULTS" condition, without representation or warranty of any kind, and subject to all applicable laws, statutes, ordinances, resolutions, regulations, proclamations, orders or decrees of any municipal, county, state or federal government or other governmental or regulatory authority with jurisdiction over the Premises, or any portion thereof, whether currently in effect or adopted in the future and whether or not in the contemplation of the Parties, including without limitation the orders and citations of any regulatory authority with jurisdiction over life and safety issues concerning the Premises ("Laws") governing the use, occupancy, management, operation and possession of the Premises. Without limiting the foregoing, this Sublease is made subject to any and all covenants, conditions, restrictions, easements and other title matters affecting the Premises, or any portion thereof, whether or not of record. Subtenant acknowledges and agrees that neither Sublandlord, the City and County of San Francisco ("City"), nor any of their respective officers, directors, employees, agents, affiliates, subsidiaries, licensees or contractors, or their respective heirs, legal representatives, successors and assigns ("Sublandlord's Agents") have made, and Sublandlord hereby disclaims, any representations or warranties, express or implied, concerning (i) title or survey matters affecting the Premises, (ii) the physical, geological, seismological or environmental condition of the Premises, including, without limitation, the matters described in the Seismic Report (as defined below) (iii) the quality, nature or adequacy of any utilities serving the Premises, (iv) the feasibility, cost or legality of constructing any Alterations on the Premises if required for Subtenant's use and permitted under this Sublease, (v) the safety of the Premises, whether for the use of Subtenant or any other person, including Subtenant's Agents or Subtenant's clients, customers, vendors, invitees, guests, members, licensees, assignees or Subtenants ("Subtenant's Invitees"), or (vi) any other matter whatsoever relating to the Premises or their use, including, without limitation, any implied warranties of merchantability or fitness for a particular purpose.

(c) **Seismic Report.** Without limiting Section 1.2 (b) above, Subtenant expressly acknowledges for itself and Subtenant's Agents that it received and read that certain report dated August 1995, entitled "*Treasure Island Reuse Plan: Physical Characteristics, Building and Infrastructure Conditions,*" prepared for the Office of Military Base Conversion, Department of City Planning, and the Redevelopment Agency of the City and County of San Francisco, (the "Seismic Report"), a copy of the cover page of which is attached hereto as Exhibit C. Subtenant has had an adequate opportunity to review the Seismic Report with expert consultants of its own choosing. The Seismic Report, among other matters, describes the conditions of the soils of the Property and points out that in the area of the Property where the Premises are located, an earthquake of magnitude 7 or greater is likely to cause the ground under and around the Premises to spread laterally to a distance of ten (10) or more feet and/or result in other risks. In that event, there is a significant risk that the Building and any other structures or improvements located on or about the Premises, may fail structurally and collapse.



2. COMPLIANCE WITH MASTER LEASE

2.1. **Incorporation by Reference.** All of the terms and conditions of the Master Lease are hereby incorporated by reference into this Sublease as if fully set forth herein

2.2. **Conflict.** If any of the provisions of this Sublease conflict with any portion of the Master Lease as incorporated herein, then the terms of the Master Lease shall govern.

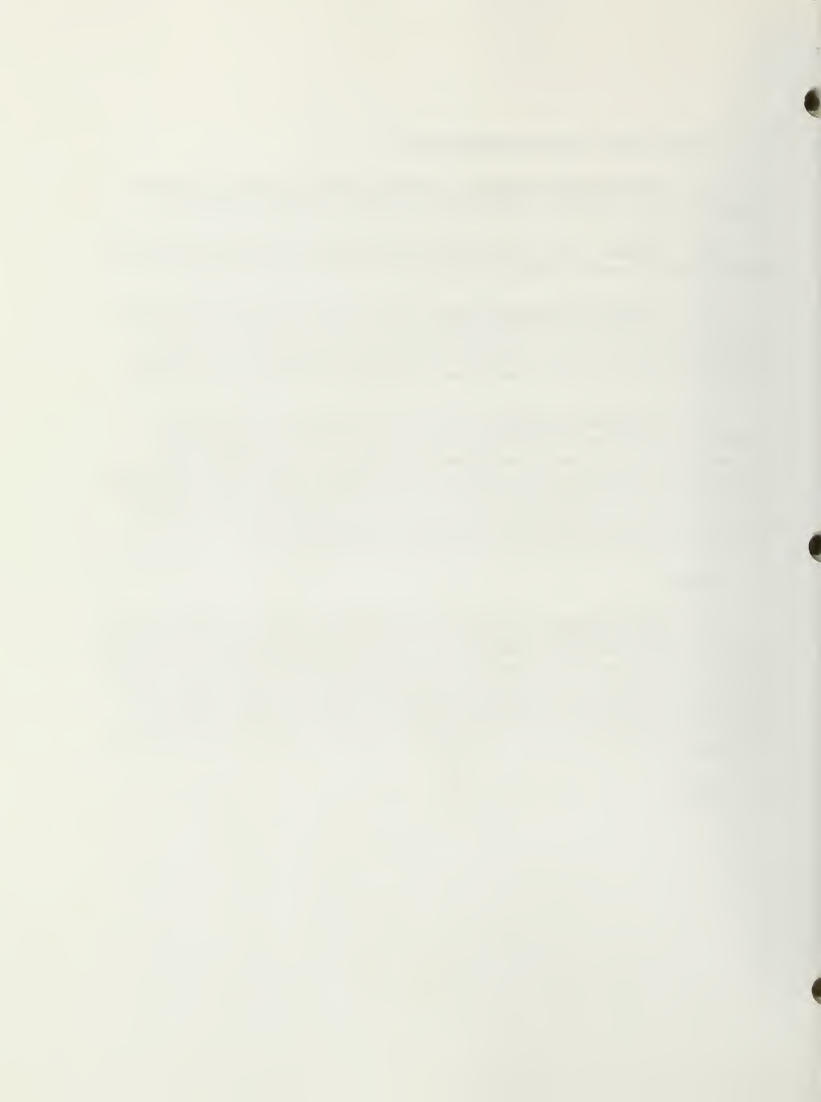
2.3. **Compliance with Master Lease.** Subtenant shall not do or permit to be done anything which would constitute a violation or a breach of any of the terms, conditions or provisions of the Master Lease or which would cause the Master Lease to be terminated or forfeited by virtue of any rights of termination reserved by or vested in the Master Landlord.

2.4. **Automatic Termination.** If the Master Lease terminates for any reason whatsoever, this Sublease shall automatically terminate and the Parties shall thereafter be relieved from all liabilities and obligations under this Sublease, except for liabilities and obligations which expressly survive termination of this Sublease. Subtenant acknowledges and agrees that it has reviewed the Master Lease, is aware of the circumstances upon which the Master Lease may be terminated and hereby assumes all risks associated with the automatic termination of this Sublease because of the termination of the Master Lease.

3. TERM

3.1. **Term of Sublease.** The term of this Sublease (the "Term") shall be on a month-to-month basis, shall commence on September 1, 1999 (the "Commencement Date") and, may be terminated by either party, for any reason and without liability for such termination, upon thirty (30) days prior written notice to the other Party. Notwithstanding the foregoing, this Sublease shall automatically terminate on February 28, 2000 (the "Upset Date") unless the Board of Directors of the Sublandlord approves a resolution extending the Term of this Sublease beyond the Upset Date.

4. RENT



4.1. **Base Rent.** Throughout the Term, beginning on the Commencement Date, Subtenant shall pay to Sublandlord base rent in the amount of Six Thousand Dollars (\$6,000) per month (the "Base Rent"). Base Rent shall be paid to the Sublandlord without prior demand and without any deduction, setoff, or counterclaim whatsoever. Base Rent shall be payable on or before the first day of each month, in advance, at the Notice Address of Sublandlord provided in Section 20.1 hereof or such other place as Sublandlord may designate in writing. If the Commencement Date occurs on a date other than the first day of a calendar month, or the Sublease terminates on a day other than the last day of a calendar month, then the monthly payment of Base Rent for such fractional month shall prorated based on a thirty (30) day month.

4.2. **Additional Charges.** In addition to Base Rent, Subtenant shall pay any and all real property taxes, possessory interest taxes and other costs, impositions and expenses related to the Premises as provided in Section 4 hereof, plus all other charges related to the Premises otherwise payable by Subtenant to Sublandlord hereunder, including, without limitation, all late charges and default interest attributable to late payments and/or defaults of Subtenant hereunder and all utility charges (together, the "Additional Charges"). Together, Base Rent and Additional Charges shall hereinafter be referred to as the "Rent".

4.3. **Late Charge.** If Subtenant fails to pay any Rent within ten (10) days after the date the same is due and payable, such unpaid amount will be subject to a late payment charge equal to six percent (6%) of the unpaid amount in each instance. The late payment charge has been agreed upon by Sublandlord and Subtenant, after negotiation, as a reasonable estimate of the additional administrative costs and detriment that Sublandlord will incur as a result of any such failure by Subtenant, the actual costs thereof being extremely difficult if not impossible to determine. The late payment charge constitutes liquidated damages to compensate Sublandlord for its damages resulting from such failure to pay and Subtenant shall promptly pay such charge to Sublandlord together with such unpaid amount.

4.4. **Default Interest.** If any Rent is not paid within ten (10) days following the due date, such unpaid amount shall bear interest from the due date until paid at the rate of ten percent (10%), provided however that interest shall not be payable on late charges incurred by Subtenant nor on any amounts on which late charges are paid by Subtenant to the extent this interest would cause the total interest to be in excess of that which an individual is lawfully permitted to charge. Payment of interest shall not excuse or cure any default by Subtenant.

5. TAXES, ASSESSMENTS AND OTHER EXPENSES

5.1. **Taxes and Assessments, Licenses, Permit Fees and Liens.**

(a) **Payment Responsibility.** Subtenant shall pay any and all real and personal property taxes, including, but not limited to, possessory interest taxes, general and special assessments, excises, licenses, permit fees and other charges and impositions of every

description levied on or assessed against the Premises, any Alterations, Subtenant's Personal Property, or Subtenant's use of the Premises or any Alterations during the Term. Subtenant shall make all such payments directly to the charging authority when due and payable and at least ten (10) days prior to delinquency. However, with respect to real property taxes and assessments levied on or assessed against the Premises for which Sublandlord receives the tax bill directly from the taxing authority, Subtenant shall reimburse Sublandlord for payment of such sums immediately upon demand.

(b) **Taxability of Possessory Interest.** Without limiting the foregoing, Subtenant recognizes and agrees that this Sublease may create a possessory interest subject to property taxation and that Subtenant may be subject to the payment of property taxes levied on such interest.

(c) **No Liens.** Subtenant shall not allow or suffer a lien for any taxes payable by Subtenant hereunder to be imposed upon the Premises or upon any equipment or other property located thereon without discharging the same as soon as practicable, and in no event subsequent to delinquency.

(d) **Reporting Information.** Subtenant agrees to provide such information as Sublandlord may request to enable Sublandlord to comply with any possessory interest tax reporting requirements applicable to this Sublease.

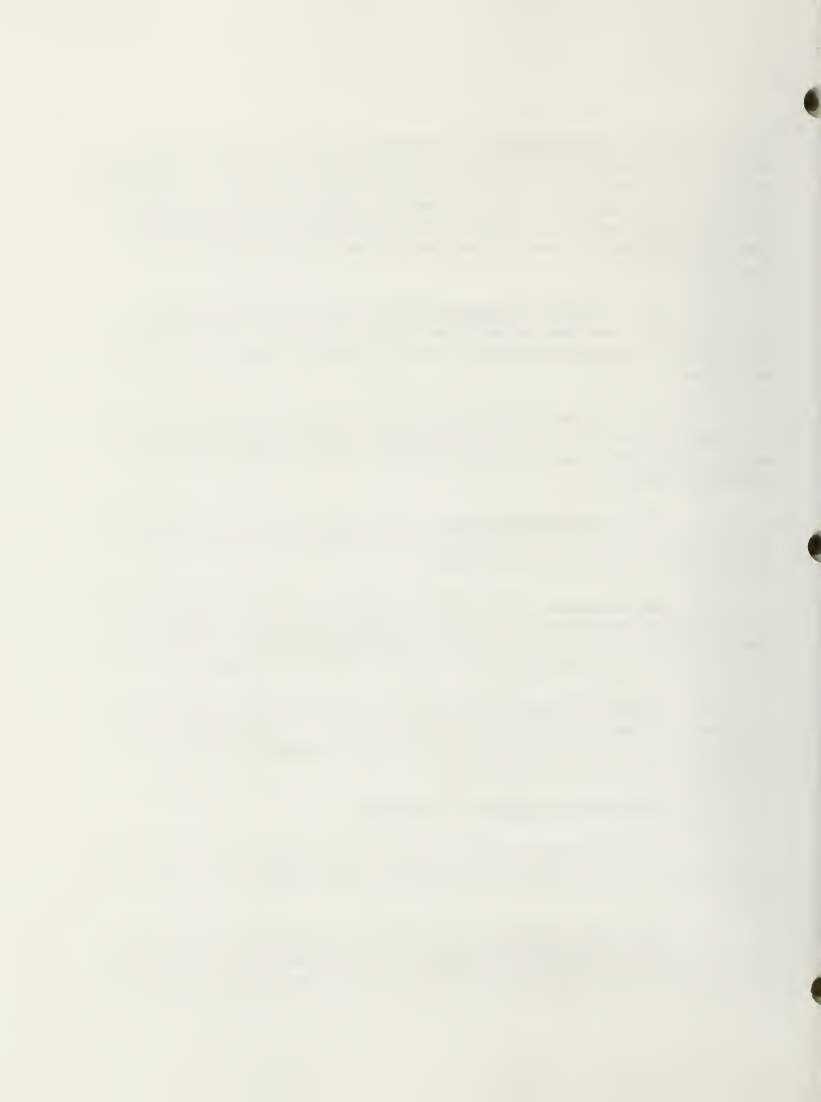
5.2. **Other Expenses.** This is a "triple net" Sublease. Accordingly, Subtenant shall be responsible for any and all other charges, costs and expenses related to its use, occupancy, operation or enjoyment of the Premises or any Alterations permitted thereon, including, without limitation, the cost of any utilities, maintenance or services necessary for Subtenant's use.

5.3. **Evidence of Payment.** Subtenant shall, upon Sublandlord's request, furnish to Sublandlord within ten (10) days after the date when any charges are due and payable, official receipts of the appropriate taxing authority or other evidence reasonably satisfactory to Sublandlord, evidencing payment thereof.

6. **USE; COVENANTS TO PROTECT PREMISES**

6.1. **Subtenant's Permitted Use.** Subtenant may use the Building as an office and for the building of sets used in television and film production and for special events, and for no other purpose.

6.2. **Rules and Regulations.** Subtenant agrees to adhere to all rules and regulations regarding the Premises attached hereto as Exhibit D, and any additional rules regarding security, ingress, egress, safety and sanitation applicable to the Premises or the Property, as such rules and



regulations may be prescribed by Master Landlord or Sublandlord from time to time and which are provided to Subtenant in advance of the enforcement thereof.

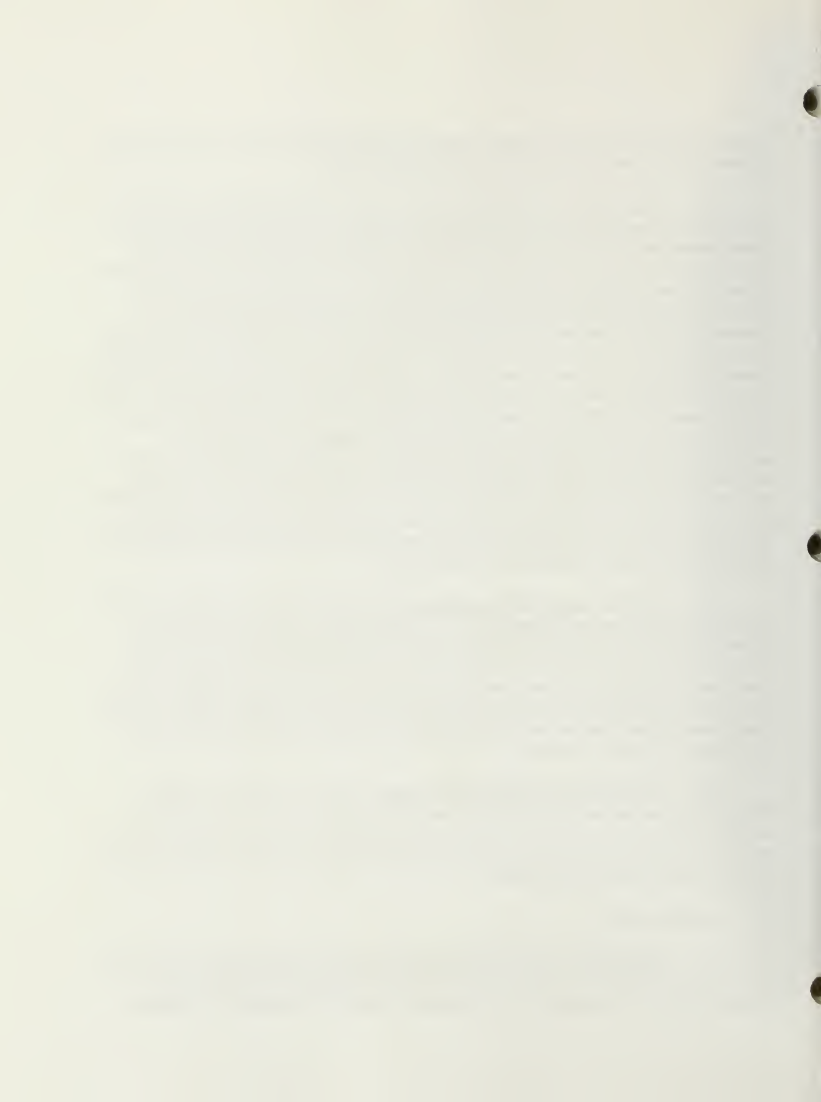
6.3. Easements. This Sublease shall be subject to all outstanding easements and rights-of-way for location of any type of facility over, across, in, and upon the Premises or any portion thereof, and to the right of Master Landlord to grant such additional easements and rights-of-way over, across, in and upon the Premises as Master Landlord shall determine to be in the public interest ("Additional Easements"), provided that, as provided in Section 29 of the Master Lease, Master Landlord shall use its best efforts to minimize any interference with Subtenant's operations hereunder caused by the granting of any such Additional Easements and the granting of such Additional Easements shall be conditioned on the assumption by the grantee thereof of liability to Subtenant for such damages as Subtenant shall suffer for property destroyed or property rendered unusable on account of the grantee's exercise of its rights thereunder. There is hereby reserved to the holders of such Additional Easements as are presently outstanding or which may hereafter be granted, to any workers officially engaged in the construction, installation, maintenance, operation, repair or replacement of facilities located thereon, and to any federal, state or local official engaged in the official inspection thereof, such reasonable rights of ingress and egress over the Premises as shall be necessary for the performance of their duties with regard to such facilities. To the best knowledge of the Mayor's Treasure Island Project Office, there are no existing Additional Easements or other encumbrances which would materially interfere with Subtenant's use of the Premises.

6.4. No Interference with Navy Operations. Subtenant shall not conduct operations, nor make any Alterations (as defined below), that would interfere with or otherwise restrict Master Landlord's operations or environmental clean-up or restoration actions by the Master Landlord, Sublandlord, the Environmental Protection Agency, the State of California or their contractors. Environmental clean-up, restoration or testing activities by these Parties shall take priority over the Subtenant's use of the Premises in the event of any conflict, provided, however, in such event, Master Landlord and Sublandlord shall use their best efforts to minimize any disruption of Subtenant's operation.

6.5. No Unlawful Uses, Nuisances or Waste. Without limiting the foregoing, Subtenant shall not use, occupy or permit the use or occupancy of any of the Premises in any unlawful manner or for any illegal purpose, or permit any offensive, noisy or hazardous use or any waste on or about the Premises. Subtenant shall eliminate any nuisances or hazards relating to its activities on or about the Premises.

7. ALTERATIONS

7.1. Alterations. Subtenant shall not construct, install, make or permit to be made any alterations, installations or additions ("Alterations") in, to or about the Premises, without Sublandlord's prior written consent in each instance, which consent may given or withheld in



Sublandlord's sole and absolute discretion. Subject to Sublandlord's consent as provided above, any permitted Alterations shall be done at Subtenant's sole expense (i) in strict accordance with plans and specifications approved in advance by Sublandlord in writing, (ii) by duly licensed and bonded contractors or mechanics approved by Sublandlord or by program youths and staff under the supervision of qualified professionals, (iii) in a good and professional manner, (iv) in strict compliance with all Laws, and (v) subject to all other conditions that Sublandlord may reasonably impose. In no event shall the construction, installation or the making of any Alterations impair the use or operation of the Property, or any portion thereof, or Sublandlord's or Master Landlord's access thereto. Prior to the commencement of any work on the Premises to construct any permitted Alterations, Subtenant, at its sole expense, shall procure all required permits and approvals and shall promptly upon receipt deliver copies of all such documents to Sublandlord. No material change from the plans and specifications approved by Sublandlord may be made without Sublandlord's prior consent. Sublandlord and Sublandlord's Agents shall have the right to inspect the course of such construction at all times.

7.2. Historic Properties. Without limiting the generality of the foregoing, Subtenant acknowledges and agrees that, pursuant to Section 15 of the Master Lease, no Alterations may be made to the Premises (i) which will affect the historic characteristics of the Premises or modify the appearance of the exterior of the Premises without Master Landlord's and Sublandlord's prior written consent or (ii) if such Alterations would preclude qualifying the Premises for inclusion on the National Register for Historic places.

7.3. Ownership of Alterations. Any Alterations constructed on or affixed to the Premises by or on behalf of Subtenant pursuant to the terms and limitations of Section 7.1 above shall be and remain Subtenant's property during the Term. Upon the termination of this Sublease, Subtenant shall remove all such Alterations from the Premises in accordance with the provisions of Section 18 hereof, unless Sublandlord, at its sole option and without limiting any of the provisions of Section 7.1 above, requires that such Alterations remain on the Premises following the expiration or termination of this Sublease.

7.4. Subtenant's Personal Property. All furniture, furnishings and articles of movable personal property and equipment installed in the Premises by or for the account of Subtenant that can be removed without structural or other material damage to the Premises (all of which are herein called "Subtenant's Personal Property") shall be and remain the property of Subtenant and may be removed by it subject to the provisions of Section 18 hereof. Subtenant shall be solely responsible for providing any security or other protection of or maintenance to Subtenant's Personal Property.

7.5. Sublandlord's Alterations of the Premises and Premises Systems. Sublandlord reserves the right at any time to make alterations, additions, repairs, deletions or improvements to the common areas or any other part of the Premises, provided that any such alterations or additions shall not materially adversely affect the functional utilization of the

Premises for purposes stated herein.

8. REPAIRS AND MAINTENANCE

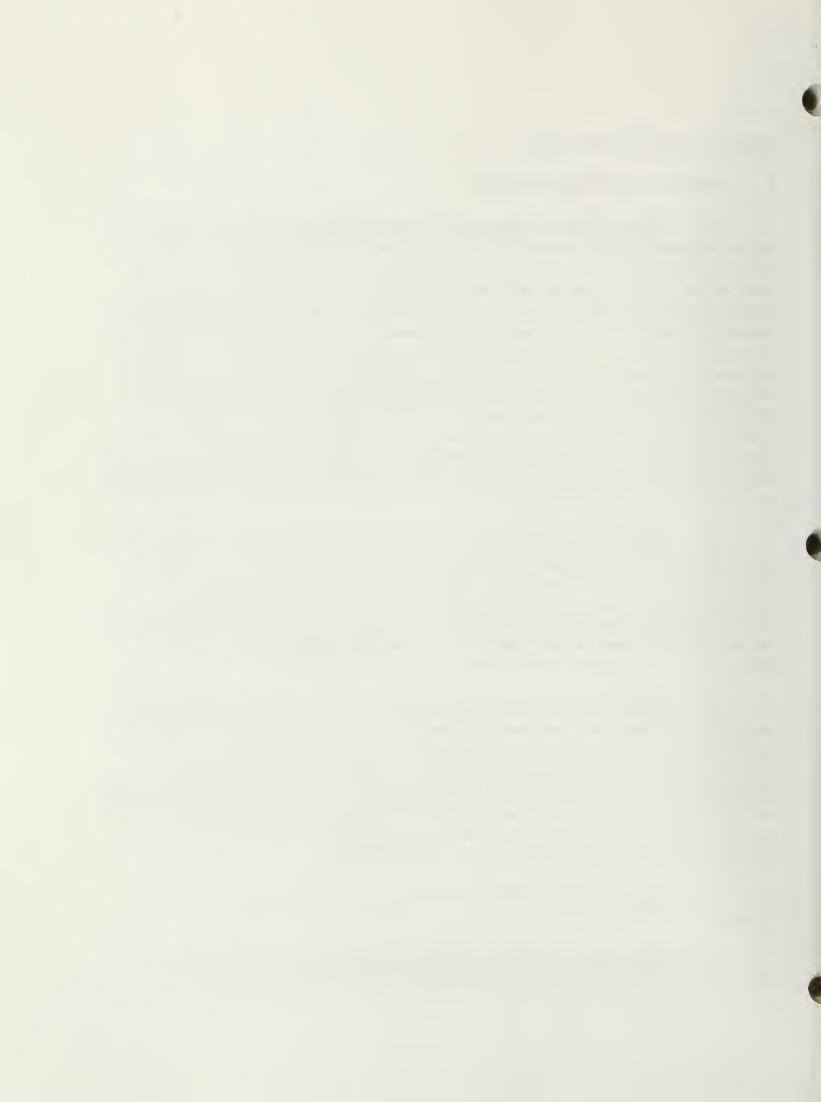
8.1. Subtenant Responsible for Maintenance and Repair. Subtenant assumes full and sole responsibility for the condition, operation, repair and maintenance and management of the Premises from and after the Commencement Date and shall keep the Premises in good condition and repair. Sublandlord shall not be responsible for the performance of any repairs, changes or alterations to the Premises, nor shall Sublandlord be liable for any portion of the cost thereof. Subtenant shall make all repairs and replacements, interior and exterior, structural as well as non-structural, ordinary as well as extraordinary, foreseen and unforeseen, which may be necessary to maintain the Premises at all times in clean, safe, attractive and sanitary condition and in good order and repair, to Sublandlord's and Master Landlord's reasonable satisfaction, provided, however, that neither Subtenant nor Sublandlord shall be required to make structural repairs or Alterations to correct conditions affecting the Premises existing prior to the Commencement Date. If any portion of the Premises is damaged by any activities conducted by Subtenant or Subtenant's Agents or Subtenant's Invitees hereunder, Subtenant shall immediately, at its sole cost, repair all such damage and restore the Premises to its previous condition.

8.2. Utilities. Sublandlord shall provide the basic building utilities and services described in the attached Exhibit E, (the "Standard Utilities and Services") to the Premises, subject to the terms and conditions contained therein. Subtenant shall be responsible for furnishing, at its sole costs, any utilities or services other than or in excess of the Standard Utilities and Services that Subtenant may need for its use of the Premises. Subtenant shall pay, without set off or counterclaim, all amounts due and owing for such Standard Utilities and Services at the rates provided in and as otherwise set forth in Exhibit E.

8.3. Floor Load. Without Sublandlord's prior written consent, which Sublandlord may give or refuse in its sole discretion, Subtenant shall not place or install in the Premises any equipment that weighs in excess of the normal load-bearing capacity of the floors of the Premises. If Sublandlord consents to the placement or installation of any such machine or equipment in the Premises, Subtenant at its sole expense shall reinforce the floor of the Premises, pursuant to plans and specifications approved by Sublandlord and otherwise in compliance with Section 7.1 [Alterations] to the extent necessary to assure that no damage to the Premises or weakening of any structural support will be occasioned thereby.

8.4. Janitorial Services. Subtenant shall provide all janitorial services for the Premises.

8.5. Pest Control. Subtenant shall provide and pay for all pest control services required within the Premises, and shall keep the Premises free of all pests at all times.



8.6. **Trash.** Subtenant shall deposit all trash into designated containers in the Premises in compliance with the Rules and Regulations attached hereto as Exhibit D. Subtenant shall pay for the removal of trash from the designated containers. Subtenant shall abide by all rules established by Sublandlord or Master Landlord for the handling of trash.

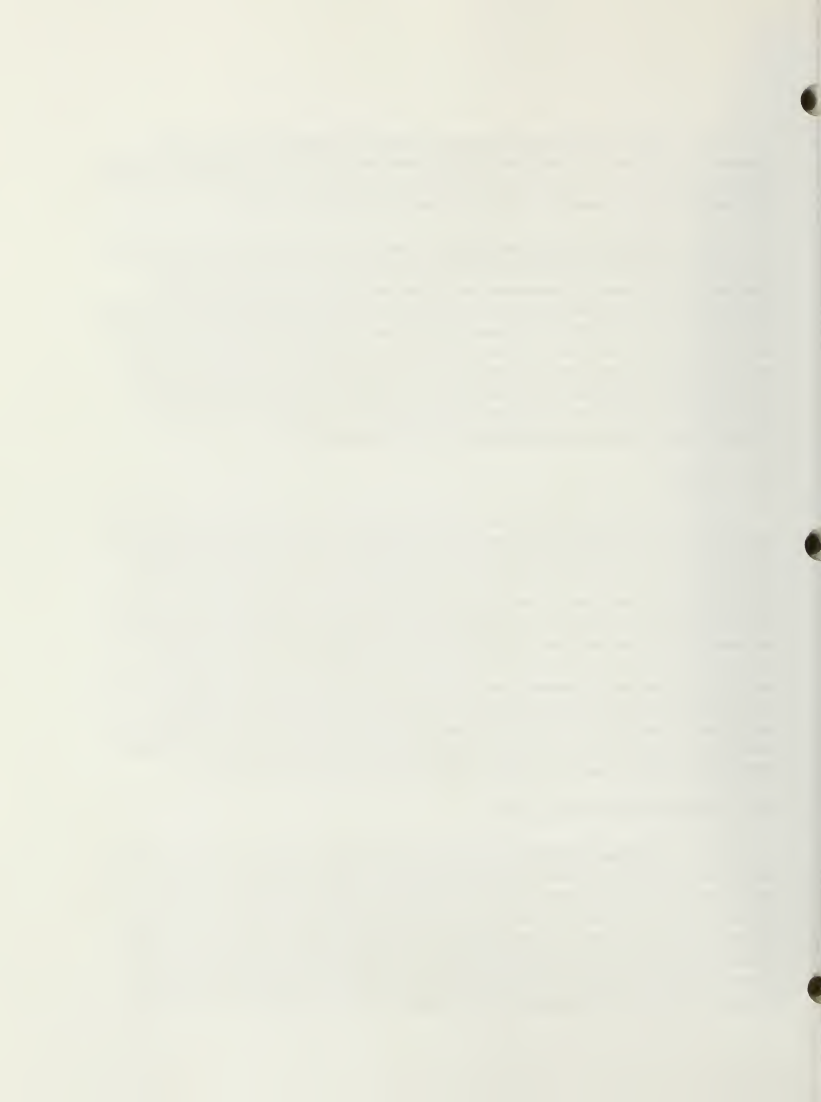
8.7. **No Right to Repair and Deduct.** Subtenant expressly waives the benefit of any existing or future Laws or judicial or administrative decision that would otherwise permit Subtenant to make repairs or replacements at Sublandlord's expense, or to terminate this Sublease because of Sublandlord's failure to keep the Premises or any part thereof in good order, condition or repair, or to abate or reduce any of Subtenant's obligations hereunder on account of the Premises or any part thereof being in need of repair or replacement. Without limiting the foregoing, Subtenant expressly waives the provisions of California Civil Code Sections 1932, 1941 and 1942 or any similar Laws with respect to any right of Subtenant to terminate this Sublease and with respect to any obligations of Sublandlord hereunder or and any right of Subtenant to make repairs or replacements and deduct the cost thereof.

9. LIENS

Subtenant shall keep the Premises free from any liens arising out of any work performed, material furnished or obligations incurred by or for Subtenant. In the event Subtenant does not, within five (5) days following the imposition of any such lien, cause the lien to be released of record by payment or posting of a proper bond, Sublandlord shall have in addition to all other remedies provided herein and by law or equity the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including, but not limited to, payment of the claim giving rise to such lien. All such sums paid by Sublandlord and all expenses it incurs in connection therewith (including, without limitation, reasonable attorneys' fees) shall be payable to Sublandlord by Subtenant upon demand. Sublandlord shall have the right at all times to post and keep posted on the Premises any notices permitted or required by law or that Sublandlord deems proper for its protection and protection of the Premises from mechanics' and materialmen's liens. Subtenant shall give Sublandlord at least fifteen (15) days' prior written notice of the commencement of any repair or construction on any of the Premises.

10. COMPLIANCE WITH LAWS

10.1. **Compliance with Laws.** Subtenant shall promptly, at its sole expense, maintain the Premises and Subtenant's use and operations thereon in strict compliance at all times with all present and future Laws, whether foreseen or unforeseen, ordinary as well as extraordinary, provided however, that Subtenant shall not be required to make repairs or structural changes to the Premises required solely to correct conditions affecting the Premises existing prior to the Commencement Date or not related to Subtenant's use of the Premises, unless the requirement for such changes is imposed as a result of any Alterations made or requested to be made by Subtenant. Such Laws shall include, without limitation, all Laws relating to health and safety



and disabled accessibility including, without limitation, the Americans with Disabilities Act, 42 U.S.C.S. §§ 12101 et seq. and Title 24 of the California Code of Regulations, all present and future Environmental Laws (as defined in this Sublease below). No occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, and however extraordinary, shall give Subtenant any right to seek redress against Sublandlord for failing to comply with any Laws. Subtenant waives any rights now or hereafter conferred upon it by any existing or future Law to compel Sublandlord to make any repairs to comply with any such Laws, on account of any such occurrence or situation.

10.2. Regulatory Approvals.

(a) **Responsible Party.** Subtenant understands and agrees that Subtenant's use of the Premises and construction of Alterations permitted hereunder may require authorizations, approvals or permits from governmental regulatory agencies with jurisdiction over the Premises. Subtenant shall be solely responsible for obtaining any and all such regulatory approvals, including without limitation any liquor permits or approvals. Subtenant shall not seek any regulatory approval without first obtaining the written consent of Sublandlord. Subtenant shall bear all costs associated with applying for, obtaining and maintaining any necessary or appropriate regulatory approval and shall be solely responsible for satisfying any and all conditions imposed by regulatory agencies as part of a regulatory approval. Any fines or penalties levied as a result of Subtenant's failure to comply with the terms and conditions of any regulatory approval shall be immediately paid and discharged by Subtenant, and Sublandlord shall have no liability, monetary or otherwise, for any such fines or penalties. Subtenant shall indemnify, protect, defend and hold harmless forever ("Indemnify") the Sublandlord and City, including, but not limited to, all of their respective officers, directors, employees, agents, affiliates, subsidiaries, licensees, contractors, boards, commissions, departments, agencies and other subdivisions and each of the persons acting by, through or under each of them, and their respective heirs, legal representatives, successors and assigns, and each of them (the "Indemnified Parties") against any and all claims, demands, losses, liabilities, damages, liens, injuries, penalties, fines, lawsuits and other proceedings, judgments and awards and costs and expenses, including, without limitation, reasonable attorneys' and consultants' fees and costs ("Losses") arising in connection with Subtenant's failure to obtain or comply with the terms and conditions of any regulatory approval.

10.3. Compliance with Sublandlord's Risk Management Requirements. Subtenant shall not do anything, or permit anything to be done, in or about the Premises or any Alterations permitted hereunder that would create any unusual fire risk, and shall take commercially reasonable steps to protect Sublandlord from any potential premises liability. Subtenant shall faithfully observe, at its expense, any and all reasonable requirements of Sublandlord's Risk Manager with respect thereto and with the requirements of any policies of commercial general, all risk property or other policies of insurance at any time in force with respect to the Premises and any Alterations as required hereunder.

11. ENCUMBRANCES

11.1. Encumbrance By Subtenant. Notwithstanding anything to the contrary contained in this Sublease, Subtenant shall not under any circumstances whatsoever create any mortgage, deed of trust, assignment of rents, fixture filing, security agreement, or similar security instrument, or other lien or encumbrance or assignment or pledge of an asset as security in any manner against the Premises or Sublandlord's or Subtenant's interest under this Sublease.

12. DAMAGE OR DESTRUCTION

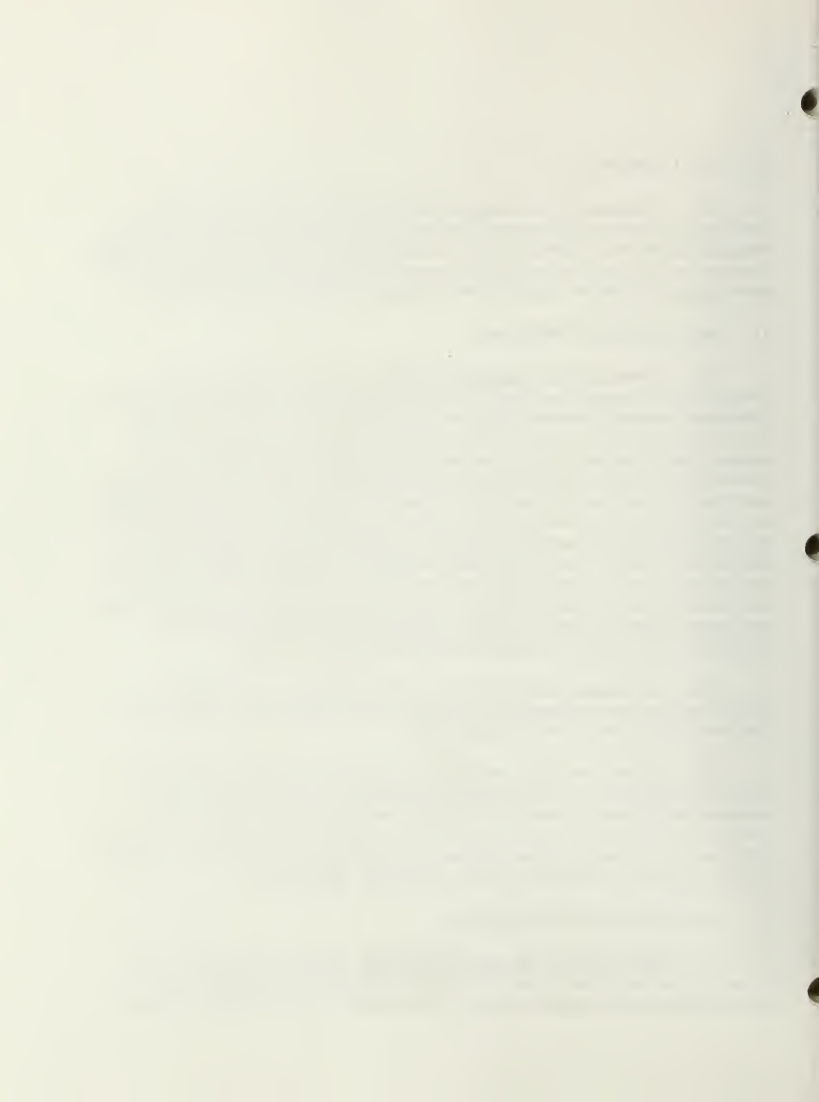
12.1. Damage or Destruction to the Premises. In the case of damage to or destruction of the Premises by earthquake, flood or any other casualty, which (i) is not caused by Subtenant or Subtenant's Agents or Subtenant's Invitees, (ii) is not covered by the insurance described in Section 16 below, (iii) prevents Subtenant from operating the Premises for the purposes stated herein, and (iv) costs more than Ten Thousand Dollars (\$10,000) to repair, Subtenant may terminate this Sublease upon thirty (30) days prior written notice and upon any such termination Subtenant shall surrender the Premises in accordance with Section 18 (except for damage caused by the casualty pursuant to which the Sublease may be terminated under this Section 12.1) and both Parties shall be relieved of any liability for such termination or for repairing such damage. Except as specifically provided above, Subtenant shall, at its sole cost, promptly restore, repair, replace or rebuild the Premises to the condition the Premises were in prior to such damage or destruction, subject to any Alterations made in strict accordance with the requirements of Section 7.1 above. Under no circumstances shall Sublandlord have any obligation to repair, replace or rebuild the Premises in the event of a casualty.

12.2. No Abatement in Rent. In the event of any damage or destruction to the Premises, and if neither party terminates this Sublease as provided in Section 12.1 above, there shall be no abatement in the Rent payable hereunder.

12.3. Waiver. The Parties understand and agree that the foregoing provisions of this Section are intended to govern fully the rights and obligations of the Parties in the event of damage or destruction to the Premises or Alterations, and Sublandlord and Subtenant each hereby waives and releases any right to terminate this Sublease in whole or in part under Sections 1932.2 and 1933.4 of the Civil Code of California or under any similar Laws now or hereafter in effect, to the extent such rights are inconsistent with the provisions hereof.

13. ASSIGNMENT AND SUBLETTING

13.1. Restriction on Assignment and Subletting. Subtenant shall not directly or indirectly (including, without limitation, by merger, acquisition or other transfer of any controlling interest in Subtenant), voluntarily or by operation of Law, sell, assign, encumber,



pledge or otherwise transfer any part of its interest in or rights with respect to the Premises, any Alterations or its interest in this Sublease, or permit any portion of the Premises to be occupied by anyone other than itself, or sublet any portion of the Premises, without Sublandlord's prior written consent in each instance, which Sublandlord may grant or withhold in its sole and absolute discretion.

14. DEFAULT; REMEDIES

14.1. Events of Default. Any of the following shall constitute an event of default ("Event of Default") by Subtenant hereunder:

(a) **Failure to Pay Rent.** Any failure to pay any Rent or any other sums due hereunder, including sums due for utilities, within five (5) days after such sums are due;

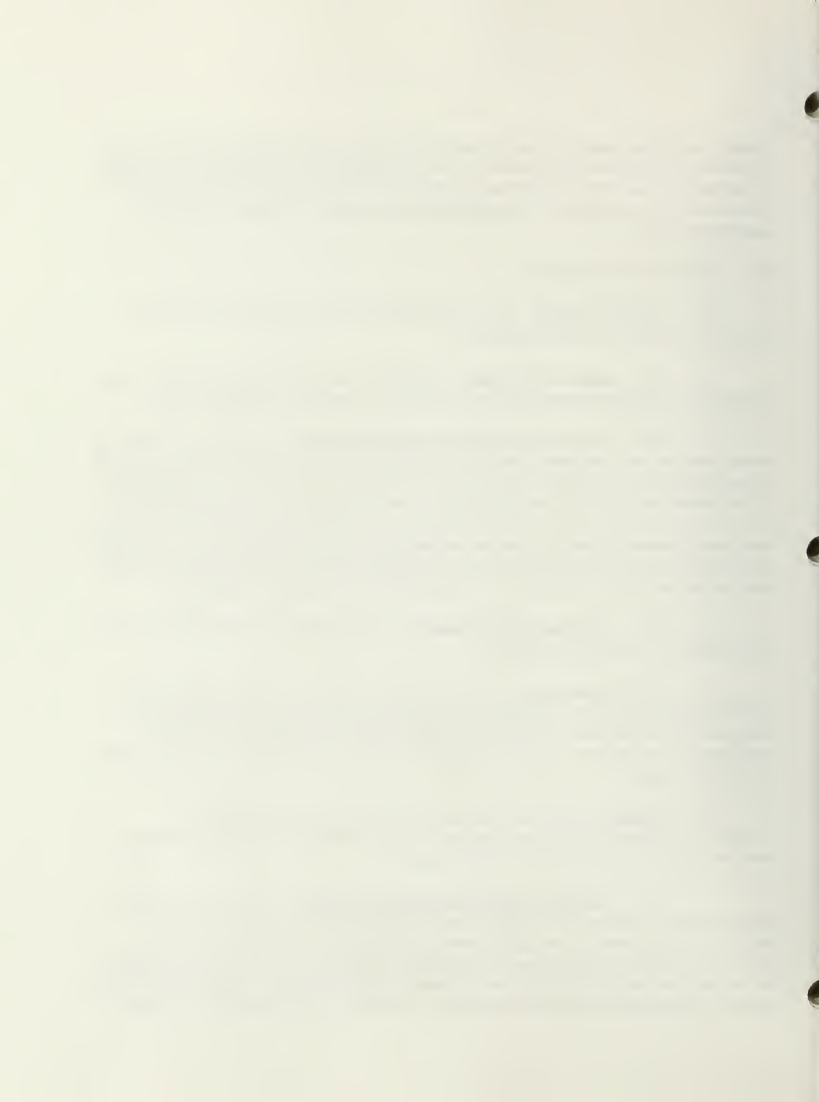
(b) **Covenants, Conditions and Representations.** Any failure to perform or comply with any other covenant, condition or representation made under this Sublease, provided Subtenant shall have a period of ten (10) days from the date of written notice from Sublandlord of such failure within which to cure such default under this Sublease, or, if such default is not capable of cure within such 10-day period, Subtenant shall have a reasonable period to complete such cure if Subtenant promptly undertakes action to cure such default within such 10-day period and thereafter diligently prosecutes the same to completion and uses its best efforts to complete such cure within sixty (60) days after the receipt of notice of default from Sublandlord.

(c) **Vacation or Abandonment.** Any abandonment of the Premises for more than fourteen (14) consecutive days; and

(d) **Bankruptcy.** The appointment of a receiver to take possession of all or substantially all of the assets of Subtenant, or an assignment by Subtenant for the benefit of creditors, or any action taken or suffered by Subtenant under any insolvency, bankruptcy, reorganization, moratorium or other debtor relief act or statute, whether now existing or hereafter amended or enacted.

14.2. Remedies. Upon the occurrence of an Event of Default by Subtenant, Sublandlord shall have the following rights and remedies in addition to all other rights and remedies available to Sublandlord at Law or in equity:

(a) **Terminate Sublease and Recover Damages.** The rights and remedies provided by law California Civil Code Section 1951.2 (damages on termination for breach), including, but not limited to, the right to terminate Subtenant's right to possession of the Premises and to recover the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of rental loss for the same period that Subtenant proves could be reasonably avoided, as computed pursuant to subsection



(b) of such Section 1951.2. Sublandlord's efforts to mitigate the damages caused by Subtenant's breach of this Sublease shall not waive Sublandlord's rights to recover unmitigated damages upon termination.

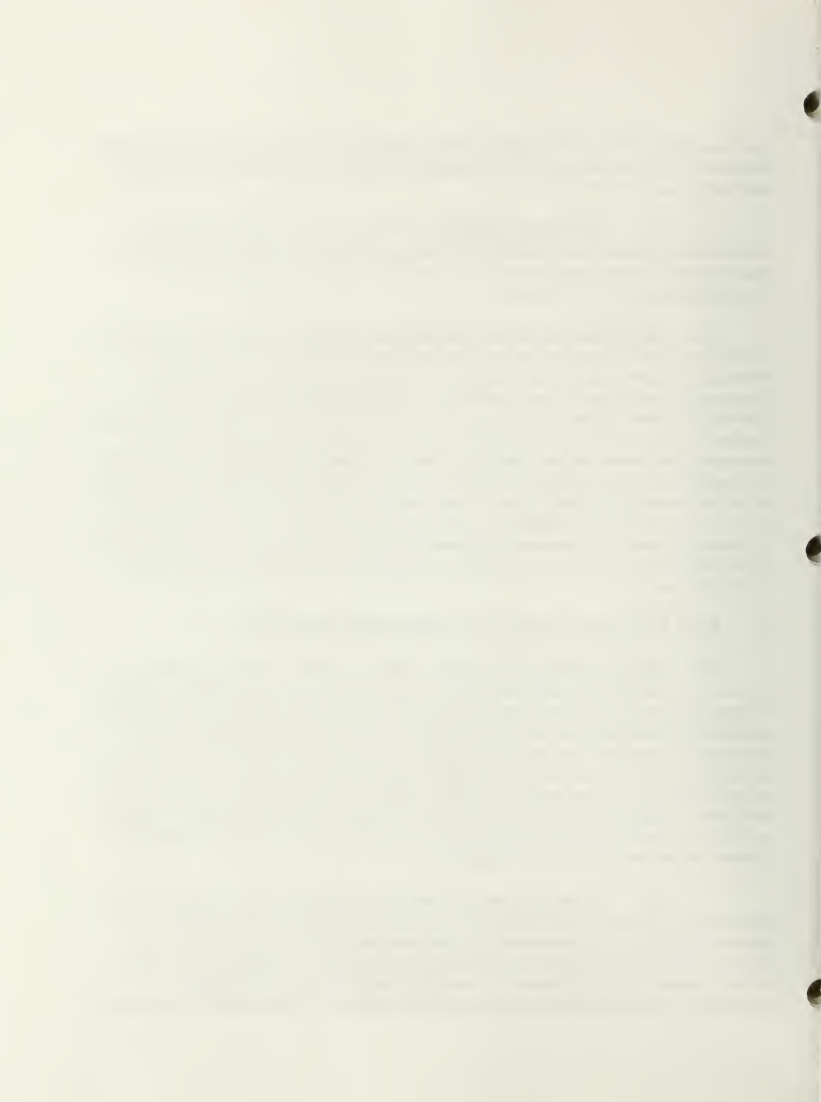
(b) **Appointment of Receiver.** The right to have a receiver appointed for Subtenant upon application by Sublandlord to take possession of the Premises and to apply any rental collected from the Premises and to exercise all other rights and remedies granted to Sublandlord pursuant to this Sublease.

14.3. Sublandlord's Right to Cure Subtenant's Defaults. If Subtenant defaults in the performance of any of its obligations under this Sublease, then Sublandlord may at any time thereafter with three (3) days prior written notice (except in the event of an emergency as determined by Sublandlord), remedy such Event of Default for Subtenant's account and at Subtenant's expense. Subtenant shall pay to Sublandlord, as Additional Charges, promptly upon demand, all sums expended by Sublandlord, or other costs, damages, expenses or liabilities incurred by Sublandlord, including, without limitation, reasonable attorneys' fees, in remedying or attempting to remedy such Event of Default. Subtenant's obligations under this Section shall survive the termination of this Sublease. Nothing herein shall imply any duty of Sublandlord to do any act that Subtenant is obligated to perform under any provision of this Sublease, and Sublandlord's cure or attempted cure of Subtenant's Event of Default shall not constitute a waiver of Subtenant's Event of Default or any rights or remedies of Sublandlord on account of such Event of Default.

15. RELEASE AND WAIVER OF CLAIMS; INDEMNIFICATION

15.1. Release and Waiver of Claims. Subtenant, on behalf of itself and Subtenant's Agents, covenants and agrees that the Indemnified Parties shall not be responsible for or liable to Subtenant for, and, to the fullest extent allowed by any Laws, Subtenant hereby waives all rights against the Indemnified Parties and releases them from, any and all Losses, including, but not limited to, incidental and consequential damages, relating to any injury, accident or death of any person or loss or damage to any property, in or about the Premises, from any cause whatsoever, including without limitation, partial or complete collapse of the Premises due to an earthquake or subsidence, except only to the extent such Losses are caused exclusively by the gross negligence or willful misconduct of the Indemnified Parties (except as provided in Section 15.1(e) below). Without limiting the generality of the foregoing:

(a) Subtenant expressly acknowledges and agrees that the consideration and other sums payable hereunder does not take into account any potential liability of the Indemnified Parties for any consequential or incidental damages including, but not limited to, lost profits arising out of disruption to Subtenant's uses hereunder. Sublandlord would not be willing to enter into this Sublease in the absence of a complete waiver of liability for consequential or incidental damages due to the acts or omissions of the Indemnified Parties, and



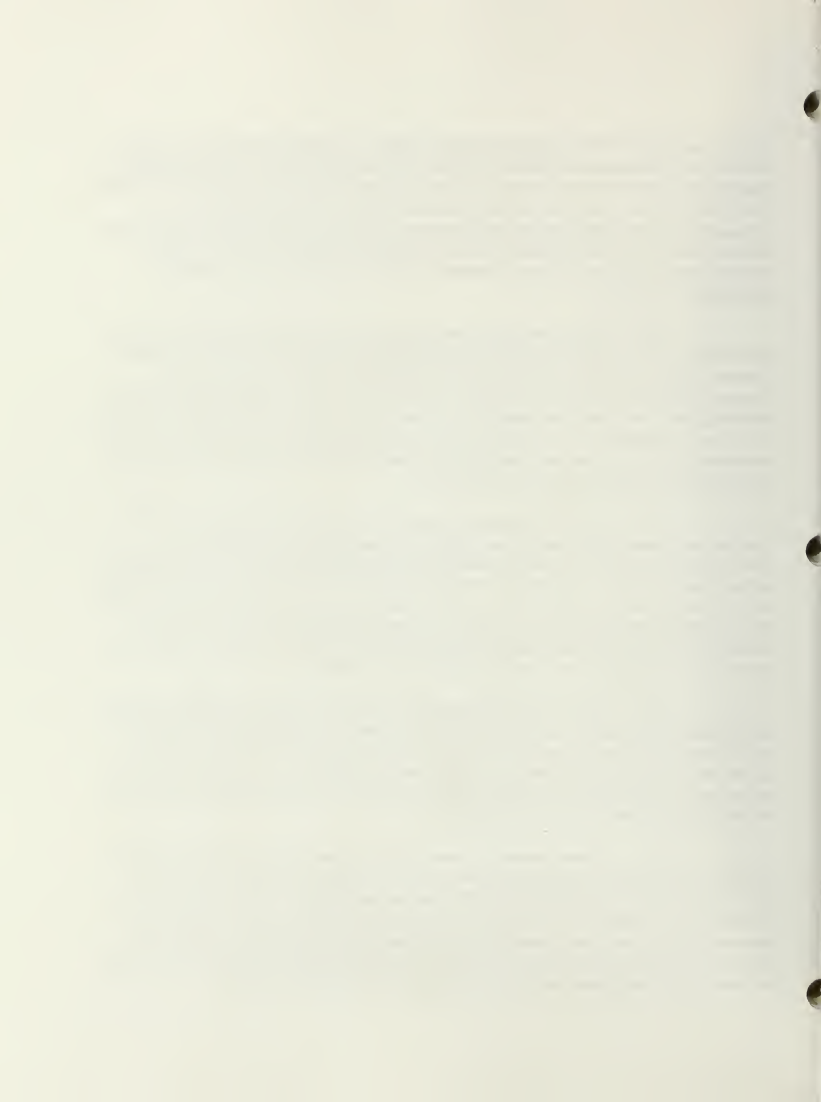
Subtenant expressly assumes the risk with respect thereto. Accordingly, without limiting any indemnification obligations of Subtenant or other waivers contained in this Sublease and as a material part of the consideration for this Sublease, Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all claims, demands, rights, and causes of action for consequential and incidental damages and covenants not to sue the Indemnified Parties for such damages arising out of this Sublease or the uses authorized hereunder, including, without limitation, any interference with uses conducted by Subtenant pursuant to this Sublease regardless of the cause.

(b) Without limiting any indemnification obligations of Subtenant or other waivers contained in this Sublease and as a material part of the consideration for this Sublease, Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all claims, demands, rights, and causes of action against, and covenants not to sue the Indemnified Parties under any present or future Laws, statutes, or regulations, including, but not limited to, any claim for inverse condemnation or the payment of just compensation under the law of eminent domain, or otherwise at equity, in the event that Sublandlord terminates this Sublease because of such claim for inverse condemnation or eminent domain.

(c) As part of Subtenant's agreement to accept the Premises in its "As Is" condition as provided herein, and without limiting such agreement and any other waiver contained herein, Subtenant on behalf of itself and its successors and assigns, waives its right to recover from, and forever RELEASES, WAIVES AND DISCHARGES, the Indemnified Parties from any and all Losses, whether direct or indirect, known or unknown, foreseen and unforeseen, that may arise on account of or in any way be connected with the physical or environmental condition of the Premises and any related improvements or any Laws or regulations applicable thereto or the suitability of the Premises for Subtenant's intended use.

(d) Subtenant acknowledges that it will not be a displaced person at the time this Sublease is terminated, and Subtenant fully RELEASES, WAIVES AND DISCHARGES, the Indemnified Parties from any and all Losses and any and all claims, demands or rights against any of the Indemnified Parties under any present and future Laws, including, without limitation, any and all claims for relocation benefits or assistance from the Indemnified Parties under federal and state relocation assistance laws.

(e) Without limiting any other waiver contained herein, Subtenant on behalf of itself and its successors and assigns, hereby waives its right to recover from, and forever RELEASES, WAIVES AND DISCHARGES, the Indemnified Parties from any and all Losses, whether direct or indirect, known or unknown, foreseen and unforeseen, that may arise on account of or in any way be connected with the Indemnified Parties decision to Sublease the Premises to the Subtenant, regardless of whether or not such decision is or may be determined to be an act of gross negligence or willful misconduct of the Indemnified Parties.



(f) Subtenant covenants and agrees never to file, commence, prosecute or cause to be filed, commenced or prosecuted against the Indemnified Parties any claim, action or proceeding based upon any claims, demands, causes of action, obligations, damages, losses, costs, expenses or liabilities of any nature whatsoever encompassed by the waivers and releases set forth in this Section 15.1.

(g) In executing these waivers and releases, Subtenant has not relied upon any representation or statement other than as expressly set forth herein.

(h) Subtenant had made such investigation of the facts pertaining to these waivers and releases it deems necessary and assumes the risk of mistake with respect to such facts. These waivers and releases are intended to be final and binding on Subtenant regardless of any claims of mistake.

(i) In connection with the foregoing releases, Subtenant acknowledges that it is familiar with Section 1542 of the California Civil Code, which reads:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Subtenant acknowledges that the releases contained herein includes all known and unknown, disclosed and undisclosed, and anticipated and unanticipated claims. Subtenant realizes and acknowledges that it has agreed upon this Sublease in light of this realization and, being fully aware of this situation, it nevertheless intends to waive the benefit of Civil Code Section 1542, or any statute or other similar law now or later in effect. The waivers and releases contained herein shall survive any termination of this Sublease.

15.2. Subtenant's Indemnity. Subtenant, on behalf of itself and Subtenant's Agents, shall Indemnify the Indemnified Parties from and against any and all Losses, expressly including but not limited to, any Losses arising out of a partial or complete collapse of the Premises due to an earthquake or subsidence, incurred in connection with or arising directly or indirectly, in whole or in part, out of: (a) any damage to or destruction of any property owned by or in the custody of Subtenant or Subtenant's Agents or Subtenant's Invitees, (b) any accident, injury to or death of a person, including, without limitation, Subtenant's Agents and Subtenant's Invitees, howsoever or by whomsoever caused, occurring in, on or about the Premises (c) any default by Subtenant in the observation or performance of any of the terms, covenants or conditions of this Sublease to be observed or performed on Subtenant's part; (d) the use, occupancy, conduct or management, or manner of use, occupancy, conduct or management by Subtenant, Subtenant's Agents or Subtenant's Invitees or any person or entity claiming through or under any of them, of the Premises or any Alterations; (e) the condition of the Premises, including the Premises, (f)

any construction or other work undertaken by Subtenant on or about the Premises whether before or during the Term of this Sublease; or (g) any acts, omissions or negligence of Subtenant, Subtenant's Agents or Subtenant's Invitees, or of any trespassers, in, on or about the Premises or any Alterations; except to the extent that such Indemnity is void or otherwise unenforceable under any applicable Laws in effect on or validly retroactive to the date of this Sublease and further except only to the extent such Losses are caused by the gross negligence and intentional wrongful acts and omissions of the Indemnified Parties. Notwithstanding the foregoing, Subtenant's obligations to indemnify the Indemnified Parties under this Section 15.2 shall remain in full force and effect regardless of whether or not the Indemnified Parties' decision to Sublease the Premises to the Subtenant, given the seismic condition of the property, is or may be determined to be an act of gross negligence or willful misconduct of the Indemnified Parties. The foregoing Indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs and Sublandlord's costs of investigating any Loss. Subtenant specifically acknowledges and agrees that it has an immediate and independent obligation to defend Sublandlord and the other Indemnified Parties from any claim which actually or potentially falls within this indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to Subtenant by Sublandlord and continues at all times thereafter. Subtenant's obligations under this Section shall survive the expiration or sooner termination of this Sublease. Notwithstanding anything contained herein, to the extent such Losses are not covered by insurance required herein and subject to Section 12.1 above, Subtenant shall have no obligation to repair, restore or reconstruct the Premises (or to pay for the same) in the event the Premises are damaged or destroyed by an earthquake or subsidence or by any other uninsured casualty.

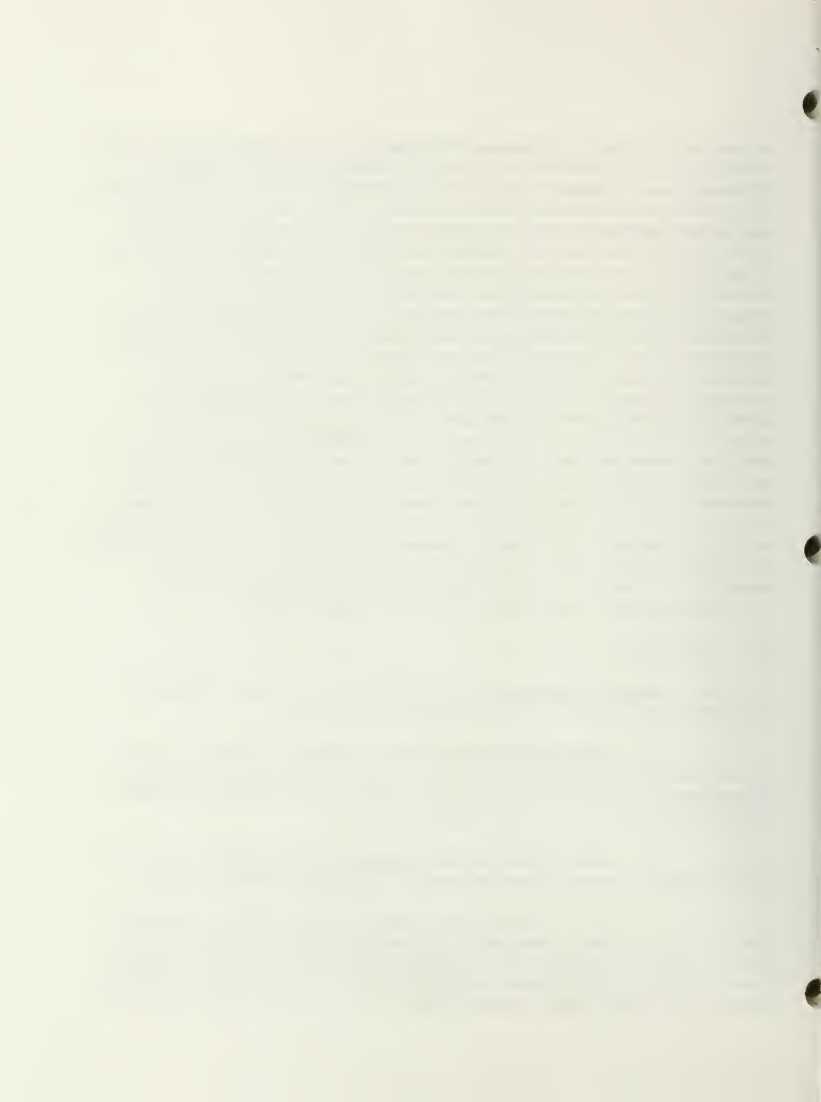
16. INSURANCE

16.1. Subtenant's Insurance. Subtenant shall procure and maintain throughout the Term of this Sublease and pay the cost thereof the following insurance:

(a) **Property Insurance.** Subtenant shall procure and maintain, at its own cost, a standard fire and extended coverage insurance policy insuring the Premises, including, without limitation, the Premises and all fixtures, Alterations, furniture and equipment located thereon, in an amount not less than the full replacement value.

(b) **Public Liability and Other Insurance.** Subtenant shall at all times, at its cost, also maintain insurance for the mutual benefit of Sublandlord and Subtenant against:

(i) Claims for personal injury under a policy of commercial general liability insurance, including without limitation, claims for bodily injury, property damage or employer's liability occurring in or upon the Premises, in an amount not less than \$5,000,000 combined single limit. Such insurance shall provide coverage at least as broad as provided under Insurance Service Form Number CG-00-01-11-88.



(ii) Worker's compensation insurance with employer's liability insurance covering all persons employed and with respect to whom death or bodily injury claims could be asserted against Sublandlord, Subtenant, the Premises or any other Sublandlord property, in an amount not less than \$1,000,000 each accident.

(iii) Automobile liability insurance with limits not less than \$1,000,000 each occurrence combined single limit for bodily injury and property damage, including owned and non-owned and hired vehicles, if Subtenant uses automobiles in connection with its use of the Premises. Such insurance shall provide coverage at least as broad as provided under Insurance Service Form Number CA-00-01-06-92.

16.2. General Requirements. All insurance provided for under this Sublease shall be effected under valid enforceable policies issued by insurers of recognized responsibility and reasonably approved by Sublandlord.

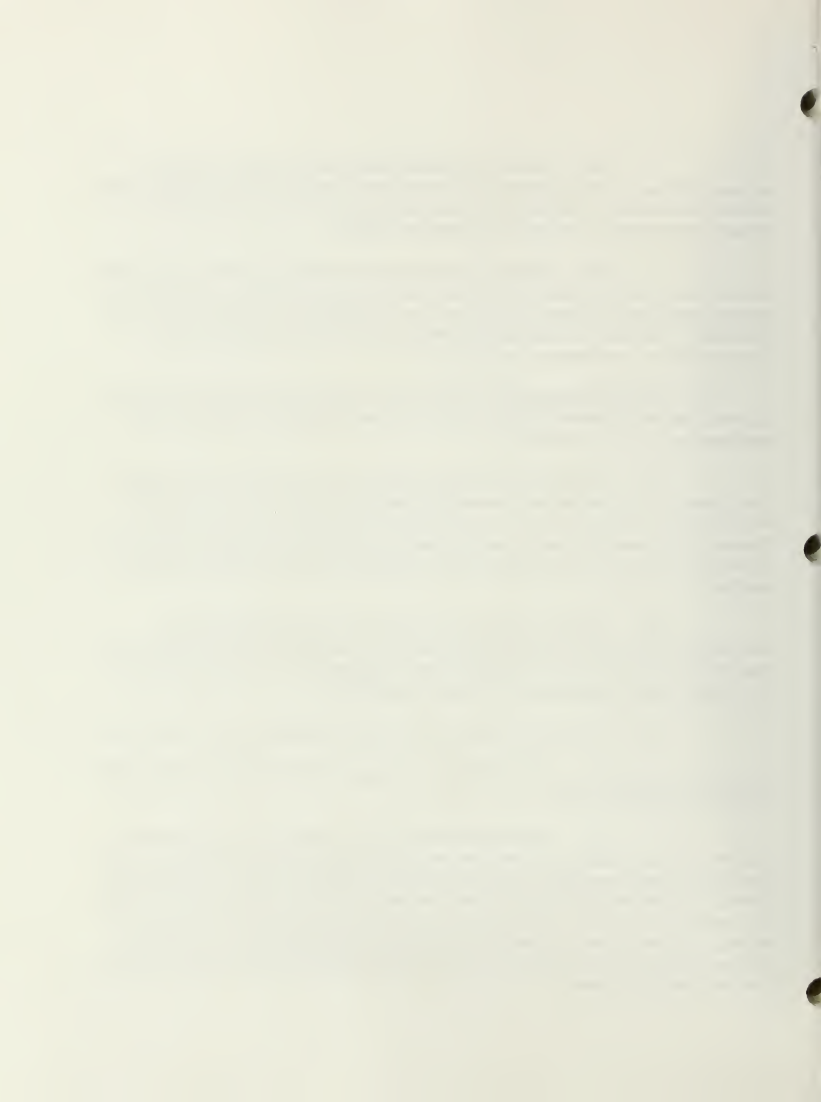
(a) Should any of the required insurance be provided under a claims-made form, Subtenant shall maintain such coverage continuously throughout the term hereof and, without lapse, for a period of three (3) years beyond the expiration or termination of this Sublease, to the effect that, should occurrences during the Term give rise to claims made after expiration or termination of this Sublease, such claims shall be covered by such claims-made policies.

(b) Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in such general annual aggregate limit, such general aggregate limit shall double the occurrence or claims limits specified above.

(c) All liability insurance policies shall be endorsed to provide the following:

(i) Cover Subtenant as the insured and the Sublandlord and the Master Landlord as additional insureds.

(ii) That such policies are primary insurance to any other insurance available to the additional insureds, with respect to any claims arising out of this Sublease, and that insurance applies separately to each insured against whom claim is made or suit is brought. Such policies shall also provide for severability of interests and that an act or omission of one of the named insureds which would void or otherwise reduce coverage shall not reduce or void the coverage as to any insured, and shall afford coverage for all claims based on acts, omissions, injury or damage which occurred or arose (or the onset of which occurred or arose) in whole or in part during the policy period.



(iii) All policies shall be endorsed to provide thirty (30) days' advance written notice to Sublandlord of cancellation, non-renewal or reduction in coverage, mailed to the address(es) for Sublandlord set forth in the Basic Sublease Information.

16.3. Proof of Insurance. Subtenant shall deliver to Sublandlord certificates of insurance in form and with insurers satisfactory to Sublandlord, evidencing the coverages required hereunder, on or before the Commencement Date, together with complete copies of the policies promptly upon Sublandlord's request, and Subtenant shall provide Sublandlord with certificates or policies thereafter at least thirty (30) days before the expiration dates of expiring policies. As to the insurance required pursuant to Section 16.1(b)(1) above, such certificate shall state, among other things, that such insurance coverage includes and shall cover Subtenant's indemnity obligations under Section 15.2 above. In the event Subtenant shall fail to procure such insurance, or to deliver such policies or certificates, Sublandlord may, at its option, procure the same for the account of Subtenant, and the cost thereof shall be paid to Sublandlord within five (5) days after delivery to Subtenant of bills therefor.

16.4. No Limitation on Indemnities. Subtenant's compliance with the provisions of this Section shall in no way relieve or decrease Subtenant's indemnification obligations herein or any of Subtenant's other obligations or liabilities under this Sublease.

16.5. Lapse of Insurance. Notwithstanding anything to the contrary in this Sublease, Sublandlord may elect in Sublandlord's sole and absolute discretion to terminate this Sublease upon the lapse of any required insurance coverage by written notice to Subtenant.

16.6. Subtenant's Personal Property. Subtenant shall be responsible, at its expense, for separately insuring Subtenant's Personal Property.

17. ACCESS BY SUBLANDLORD

17.1. Access to Premises by Sublandlord.

(a) **General Access.** Sublandlord reserves for itself and Sublandlord's Agents, the right to enter the Premises and any portion thereof at all reasonable times upon not less than twenty-four (24) hours oral or written notice to Subtenant (except in the event of an emergency) for any purpose.

(b) **Emergency Access.** In the event of any emergency, as determined by Sublandlord, Sublandlord may, at its sole option and without notice, enter the Premises and alter or remove any Alterations or Subtenant's Personal Property on or about the Premises. Sublandlord shall have the right to use any and all means Sublandlord considers appropriate to gain access to any portion of the Premises in an emergency. In such case, Sublandlord shall not be responsible for any damage or injury to any such property, nor for the replacement of any

Date		Description		Amount	
1900	Jan 1	Balance		100.00	
	Feb 1	Interest		5.00	
	Mar 1	Interest		5.00	
	Apr 1	Interest		5.00	
	May 1	Interest		5.00	
	Jun 1	Interest		5.00	
	Jul 1	Interest		5.00	
	Aug 1	Interest		5.00	
	Sep 1	Interest		5.00	
	Oct 1	Interest		5.00	
	Nov 1	Interest		5.00	
	Dec 1	Interest		5.00	
1901	Jan 1	Balance		100.00	
	Feb 1	Interest		5.00	
	Mar 1	Interest		5.00	
	Apr 1	Interest		5.00	
	May 1	Interest		5.00	
	Jun 1	Interest		5.00	
	Jul 1	Interest		5.00	
	Aug 1	Interest		5.00	
	Sep 1	Interest		5.00	
	Oct 1	Interest		5.00	
	Nov 1	Interest		5.00	
	Dec 1	Interest		5.00	
1902	Jan 1	Balance		100.00	
	Feb 1	Interest		5.00	
	Mar 1	Interest		5.00	
	Apr 1	Interest		5.00	
	May 1	Interest		5.00	
	Jun 1	Interest		5.00	
	Jul 1	Interest		5.00	
	Aug 1	Interest		5.00	
	Sep 1	Interest		5.00	
	Oct 1	Interest		5.00	
	Nov 1	Interest		5.00	
	Dec 1	Interest		5.00	
1903	Jan 1	Balance		100.00	
	Feb 1	Interest		5.00	
	Mar 1	Interest		5.00	
	Apr 1	Interest		5.00	
	May 1	Interest		5.00	
	Jun 1	Interest		5.00	
	Jul 1	Interest		5.00	
	Aug 1	Interest		5.00	
	Sep 1	Interest		5.00	
	Oct 1	Interest		5.00	
	Nov 1	Interest		5.00	
	Dec 1	Interest		5.00	

such property and any such emergency entry shall not be deemed to be a forcible or unlawful entry onto or a detainer of, the Premises, or an eviction, actual or constructive, of Subtenant from the Premises or any portion thereof.

(c) **No Liability.** Sublandlord shall not be liable in any manner, and Subtenant hereby waives any claims, for any inconvenience, disturbance, loss of business, nuisance or other damage arising out of Sublandlord's entry onto the Premises, except damage resulting directly and exclusively from the gross negligence or willful misconduct of Sublandlord or Sublandlord's Agents and not contributed to by the acts, omissions or negligence of Subtenant, Subtenant's Agents or Subtenant's Invitees.

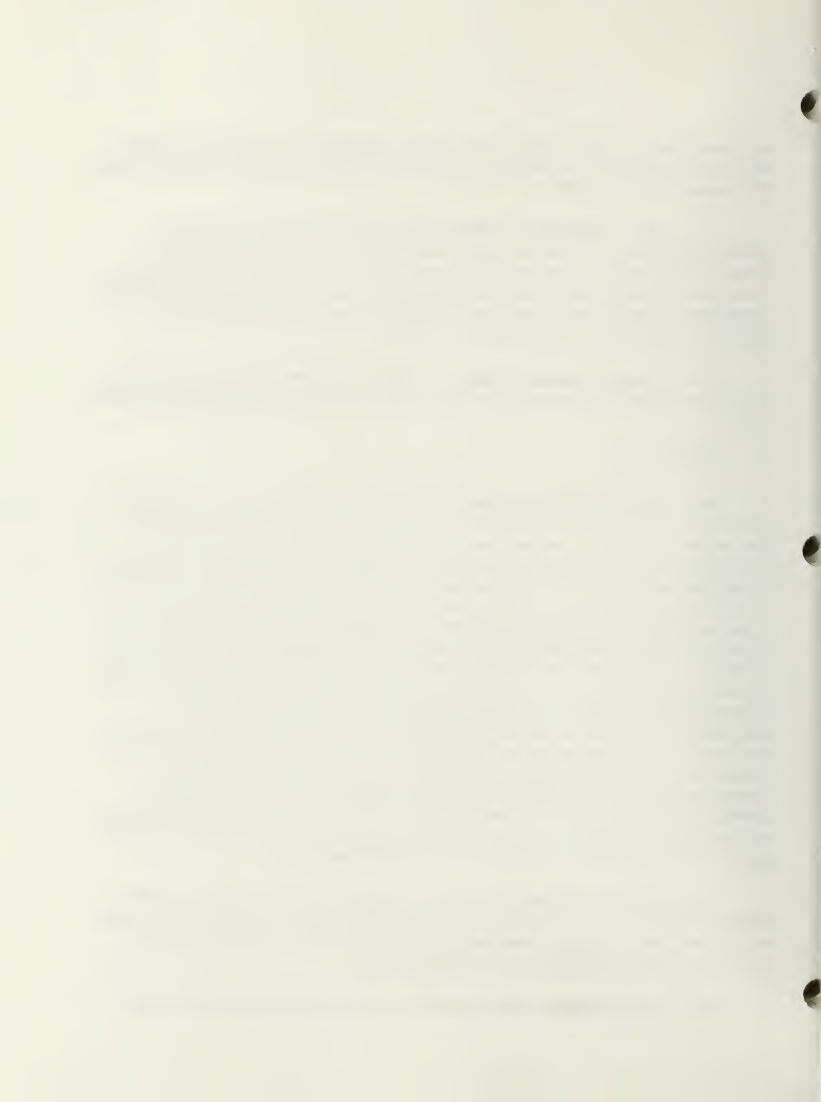
17.2. Access to Premises by Master Landlord. Subtenant acknowledges and agrees that Master Landlord shall have all of the rights of access to the Premises described in the Master Lease.

18. SURRENDER

18.1. Surrender of the Premises. Upon the termination of this Sublease, Subtenant shall surrender to Sublandlord the Premises in the same condition as of the Commencement Date, ordinary wear and tear excepted, and free and clear of all liens, easements and other Encumbrances created or suffered by, through or under Subtenant. On or before any termination hereof, Subtenant shall, at its sole cost, remove any and all of Subtenant's Personal Property from the Premises and demolish and remove any and all Alterations from the Premises (except for any Alterations that Sublandlord agrees are to remain part of the Premises pursuant to the provisions of Section 7.4 above). In addition, Subtenant shall, at its sole expense, repair any damage to the Premises resulting from the removal of any such items and restore the Premises to their condition immediately prior to the presence of any Alterations. In connection therewith, Subtenant shall obtain any and all necessary permits and approvals, including, without limitation, any environmental permits, and execute any manifests or other documents necessary to complete the demolition, removal or restoration work required hereunder. Subtenant's obligations under this Section shall survive the termination of this Sublease. Any items of Subtenant's Personal Property remaining on or about the Premises after the termination of this Sublease may, at Sublandlord's option and after thirty (30) days written notice to Subtenant, be deemed abandoned and in such case Sublandlord may dispose of such property in accordance with Section 1980 et seq. of the California Civil Code or in any other manner allowed by Law.

If Subtenant fails to surrender the Premises to Sublandlord upon the termination of this Sublease as required by this Section, Subtenant shall Indemnify Sublandlord against all Losses resulting therefrom, including, without limitation, Losses made by a succeeding Subtenant resulting from Subtenant's failure to surrender the Premises.

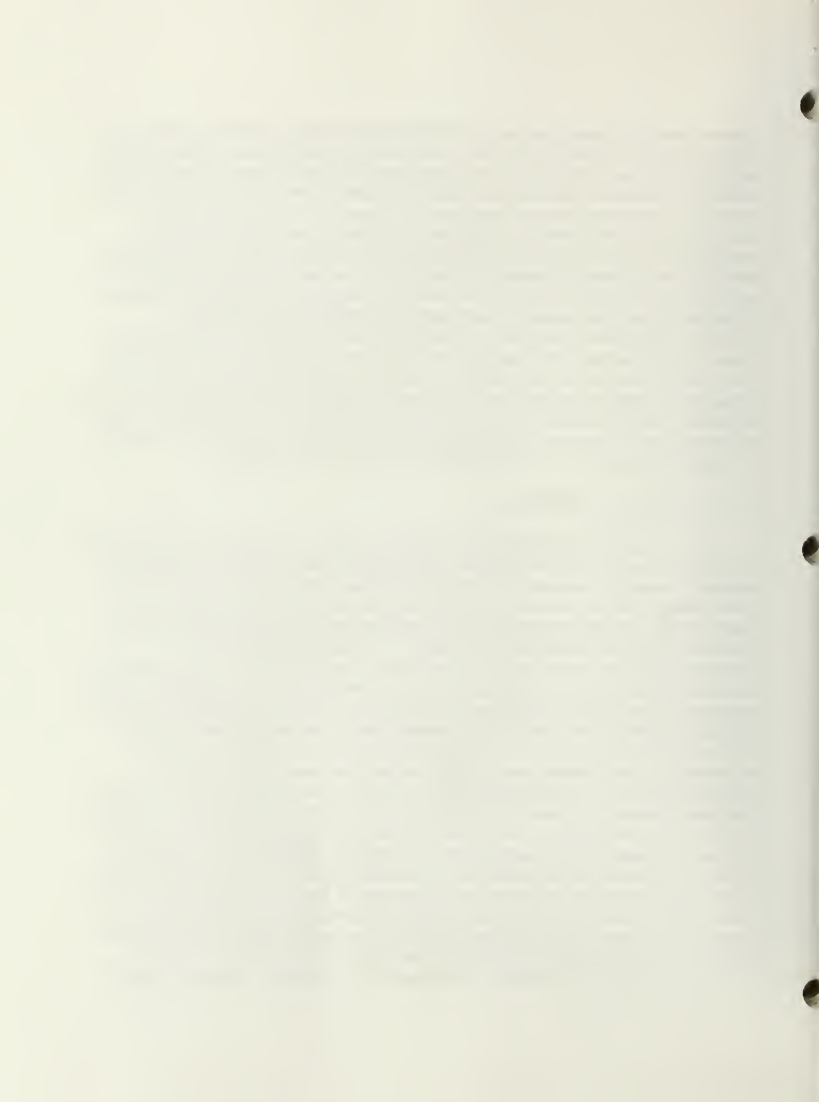
18.2. Security Deposit. Subtenant shall pay to Sublandlord upon execution of this



Sublease a security deposit in the amount of Ten Thousand Dollars (\$10,000) as security for the faithful performance of all terms, covenants and conditions of this Sublease. Subtenant agrees that Sublandlord may (but shall not be required to) apply the security deposit in whole or in part to remedy any damage to the Premises caused by Subtenant, Subtenant's Agents or Subtenant's Invitees, or any failure of Subtenant to perform any other terms, covenants or conditions contained in this Sublease, without waiving any of Sublandlord's other rights and remedies hereunder or at Law or in equity. Should Sublandlord use any portion of the security deposit to cure any Event of Default by Subtenant hereunder, Subtenant shall immediately replenish the security deposit to the original amount, and Subtenant's failure to do so within five (5) days of Sublandlord's notice shall constitute a material Event of Default under this Sublease. Sublandlord's obligations with respect to the security deposit are solely that of debtor and not trustee. Sublandlord shall not be required to keep the security deposit separate from its general funds, and Subtenant shall not be entitled to any interest on such deposit. The amount of the security deposit shall not be deemed to limit Subtenant's liability for the performance of any of its obligations under this Sublease. To the extent that Sublandlord is not entitled to retain or apply the security deposit pursuant to this Section 18.2, Sublandlord shall return such security deposit to Sublandlord within forty-five (45) days of the termination of this Sublease.

19. HAZARDOUS MATERIALS

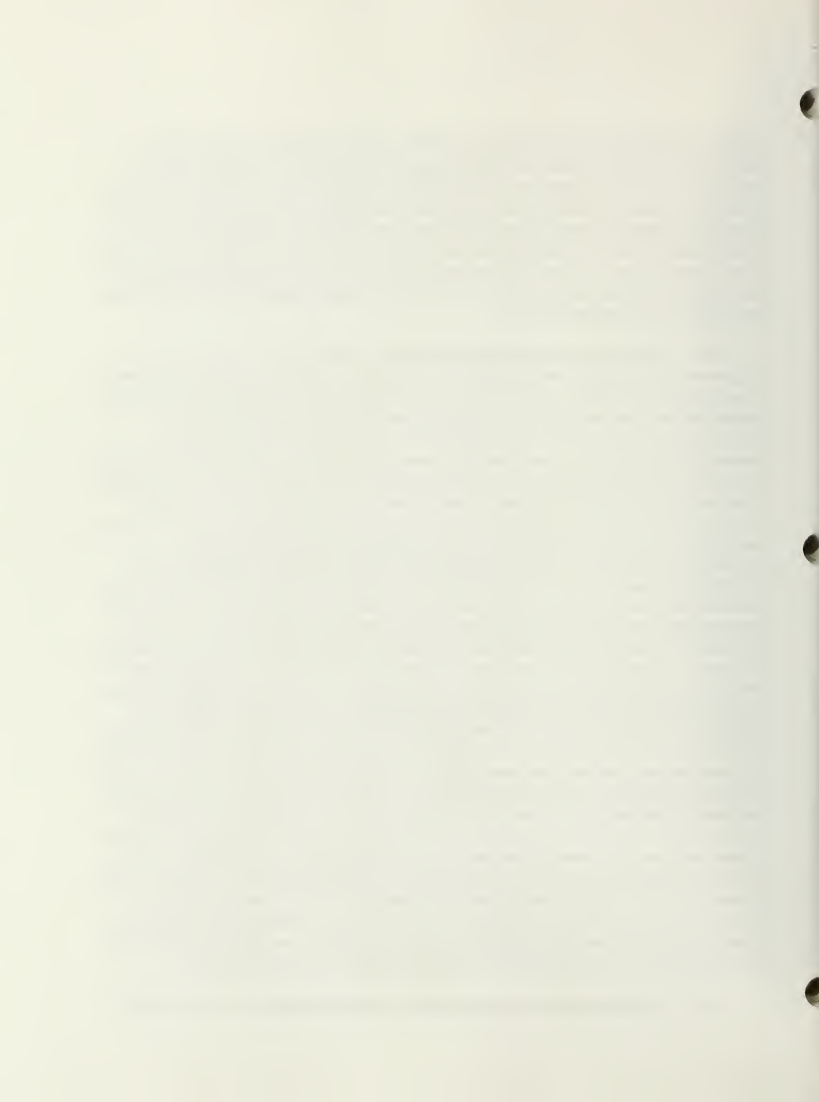
19.1. No Hazardous Materials. Subtenant covenants and agrees that neither Subtenant nor any of Subtenant's Agents or Subtenant's Invitees shall cause or permit any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment, including, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended, (42 U.S.C. Sections 9601 et seq.) or pursuant to Section 25281 of the California Health & Safety Code; any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos containing materials whether or not such materials are part of the structure of any existing improvements on the Premises, or are naturally occurring substances on, in or about the Premises; and petroleum, including crude oil or any fraction thereof, and natural gas or natural gas liquids ("Hazardous Material") to be brought upon, kept, used, stored, generated or disposed of in, on or about the Premises or transported to or from the Premises without the prior written approval of Sublandlord, which approval may be withheld in Sublandlord's sole and absolute discretion. Subtenant shall immediately notify Sublandlord if and when Subtenant learns or has reason to believe there has been any release of Hazardous Material in, on or about the Premises. Sublandlord may from time to time request Subtenant to provide adequate information for Sublandlord to determine that any Hazardous Material permitted hereunder is being handled in compliance with all applicable federal, state or local Laws or policies relating to Hazardous Material (including, without limitation, its use, handling, transportation, production, disposal,



discharge or storage) or to human health and safety, industrial hygiene or environmental conditions in, on, under or about the Premises and any other property, including, without limitation, soil, air and groundwater conditions ("Environmental Laws"), and Subtenant shall promptly provide all such information. Sublandlord and Sublandlord's Agents shall have the right to inspect the Premises for Hazardous Material and compliance with the provisions hereof at all reasonable times upon reasonable advance oral or written notice to Subtenant (except in the event of an emergency). Without limiting the foregoing, Subtenant acknowledges and agrees that it shall be bound by and will comply with the environmental protection provisions provided for in Section 13 of the Master Lease.

19.2. Subtenant's Environmental Indemnity. If Subtenant breaches any of its obligations contained in Section 19.1 above, or, if any act or omission or negligence of Subtenant or any of Subtenant's Agents or Subtenant's Invitees results in any spilling, leaking, pumping, pouring, emitting, discharging, injecting, escaping, leeching or dumping ("Release") of Hazardous Material in, on, under or about the Premises or the Property, without limiting Subtenant's general Indemnity contained in Section 15.2 above, Subtenant, on behalf of itself and Subtenant's Agents, shall Indemnify the Indemnified Parties, and each of them, from and against all any and all enforcement, investigation, remediation or other governmental or regulatory actions, agreements or orders threatened, instituted or completed pursuant to any Environmental Laws together with any and all Losses made or threatened by any third party against Sublandlord, Sublandlord's Agents, or the Premises, relating to damage, contribution, cost recovery compensation, loss or injury resulting from the presence, Release or discharge of any Hazardous Materials, including, without limitation, Losses based in common law, investigation and remediation costs, fines, natural resource damages, damages for decrease in value of the Premises, the loss or restriction of the use or any amenity of the Premises and attorneys' fees and consultants' fees and experts' fees and costs ("Hazardous Materials Claims") arising during or after the Term of this Sublease and relating to such Release. The foregoing Indemnity includes, without limitation, all costs associated with the investigation and remediation of Hazardous Material and with the restoration of the Premises or the Property to its prior condition including, without limitation, fines and penalties imposed by regulatory agencies, natural resource damages and losses, and revegetation of the Premises or other Sublandlord property. Without limiting the foregoing, if Subtenant or any of Subtenant's Agents or Subtenant's Invitees, causes or permits the Release of any Hazardous Materials in, on, under or about the Premises or the Property, Subtenant shall, immediately, at no expense to Sublandlord, take any and all appropriate actions to return the Premises or other Sublandlord property affected thereby to the condition existing prior to such Release and otherwise investigate and remediate the Release in accordance with all Environmental Laws. Subtenant shall provide Sublandlord with written notice of and afford Sublandlord a full opportunity to participate in any discussions with governmental regulatory agencies regarding any settlement agreement, cleanup or abatement agreement, consent decree, permit, approvals, or other compromise or proceeding involving Hazardous Material.

19.3. Acknowledgment of Receipt of EBS and FOSL Reports. Subtenant hereby



acknowledges for itself and Subtenant's Agents that, prior to the execution of this Sublease, it has received and reviewed the Environmental Baseline Survey ("EBS") and the Finding of Suitability to Lease ("FOSL") described in Section 7 of the Master Lease.

20. GENERAL PROVISIONS

20.1. Notices. Except as otherwise expressly provided in this Sublease, any notice given hereunder shall be effective only in writing and given by delivering the notice in person, or by sending it first class mail or certified mail with a return receipt requested or reliable commercial overnight courier, return receipt requested, with postage prepaid as follows:

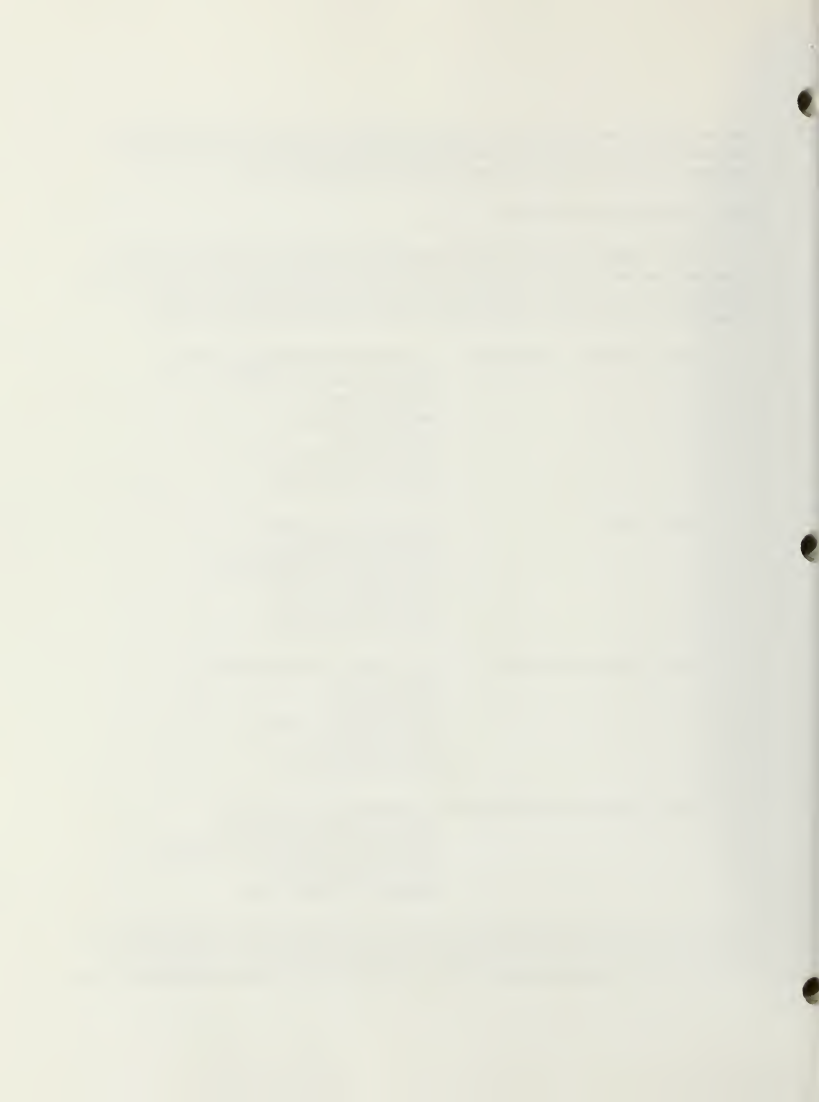
Notice Address of Sublandlord	Treasure Island Development Authority Treasure Island Project Office 401 Palm Avenue Building 1, Room 237 Treasure Island Attn: Executive Director Fax No.: 415-274-0662
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with a copy to:	Office of the City Attorney City Hall, Second Floor 1 Dr. Carlton B. Goodlett Place San Francisco, CA 94102 Attn: Michael S. Cohen Fax No.: (415) 554-4755
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Notice Address of Subtenant:	Island Creative Management LLC 470 Avenue H Treasure Island San Francisco, CA 94130 Attn: Chris Kelly Fax No.: 707-557-6973
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Notice Address of Master Landlord:	Commanding Officer (Code 24) Engineering Field Activity West Naval Facilities Engineering Command 900 Commodore Drive San Bruno, California 94066
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Any Party hereunder may designate a new address for notice purposes hereunder at least ten (10) days prior to the effective date of such change. Any notice hereunder shall be deemed to have been given two (2) days after the date when it is mailed if sent by first class or certified mail, one



day after the date it is made, if sent by commercial overnight carrier, or upon the date personal delivery is made, and any refusal by either Party to accept the attempted delivery of any notice, if such attempted delivery is in compliance with this Section 20.1 and applicable Laws, shall be deemed receipt of such notice..

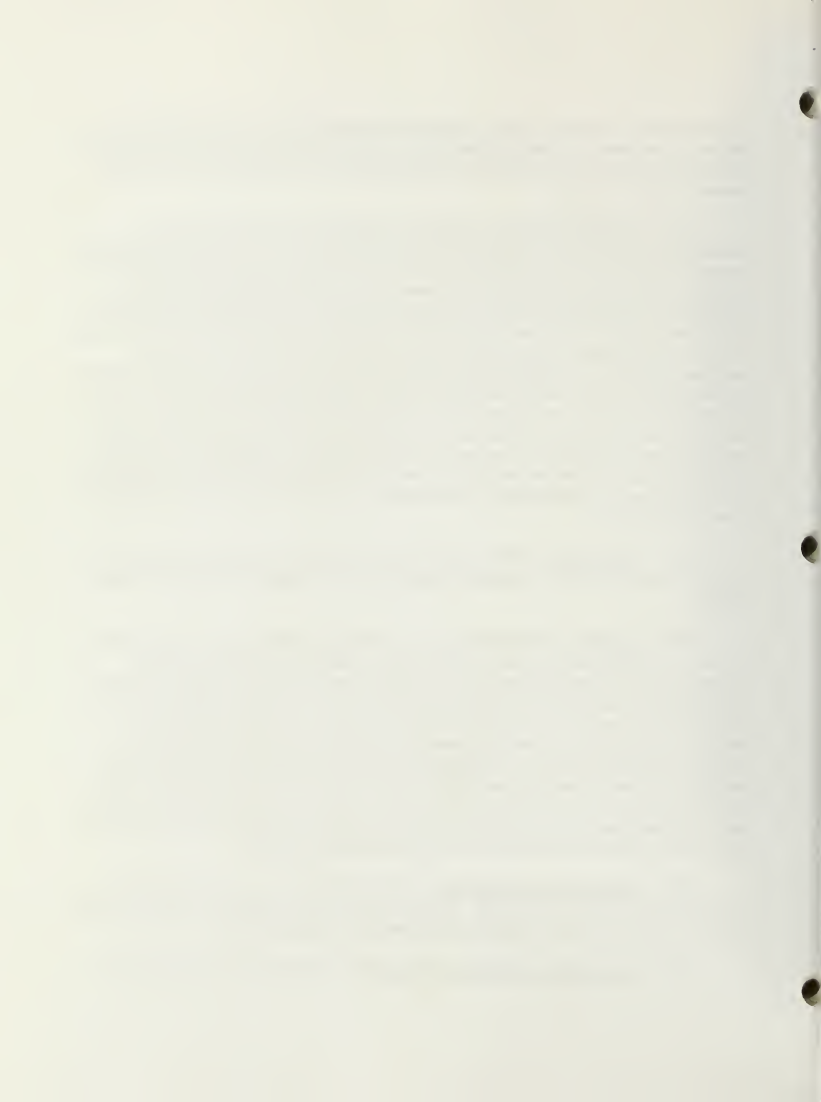
20.2. No Implied Waiver. No failure by Sublandlord to insist upon the strict performance of any obligation of Subtenant under this Sublease or to exercise any right, power or remedy arising out of a breach thereof, irrespective of the length of time for which such failure continues, no acceptance of full or partial payment for any sums due hereunder during the continuance of any such breach, and no acceptance of the keys to or possession of the Premises prior to the expiration of the Term by any Agent of Sublandlord, shall constitute a waiver of such breach or of Sublandlord's right to demand strict compliance with such term, covenant or condition or operate as a surrender of this Sublease. No express written waiver of any default or the performance of any provision hereof shall affect any other default or performance, or cover any other period of time, other than the default, performance or period of time specified in such express waiver. One or more written waivers of a default or the performance of any provision hereof shall not be deemed to be a waiver of a subsequent default or performance. The consent of Sublandlord given in any instance under the terms of this Sublease shall not relieve Subtenant of any obligation to secure the consent of Sublandlord in any other or future instance under the terms of this Sublease.

20.3. Amendments. Neither this Sublease nor any term or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the Parties hereto.

20.4. Authority. If Subtenant signs as a corporation, a partnership or a limited liability company, each of the persons executing this Sublease on behalf of Subtenant does hereby covenant and warrant that Subtenant is a duly authorized and existing entity, that Subtenant has and is qualified to do business in California, that Subtenant has full right and authority to enter into this Sublease, and that each and all of the persons signing on behalf of Subtenant are authorized to do so. Upon Sublandlord's request, Subtenant shall provide Sublandlord with evidence reasonably satisfactory to Sublandlord confirming the foregoing representations and warranties. Without limiting the generality of the foregoing, Subtenant represents and warrants that it has full power to make the waivers and releases, indemnities and the disclosure set forth herein, and that it has received independent legal advice from its attorney as to the advisability of entering into a sublease containing those provisions and their legal effect.

20.5. Joint and Several Obligations. The word "Subtenant" as used herein shall include the plural as well as the singular. If there is more than one Subtenant, the obligations and liabilities under this Sublease imposed on Subtenant shall be joint and several.

20.6. Interpretation of Sublease. The captions preceding the articles and sections of

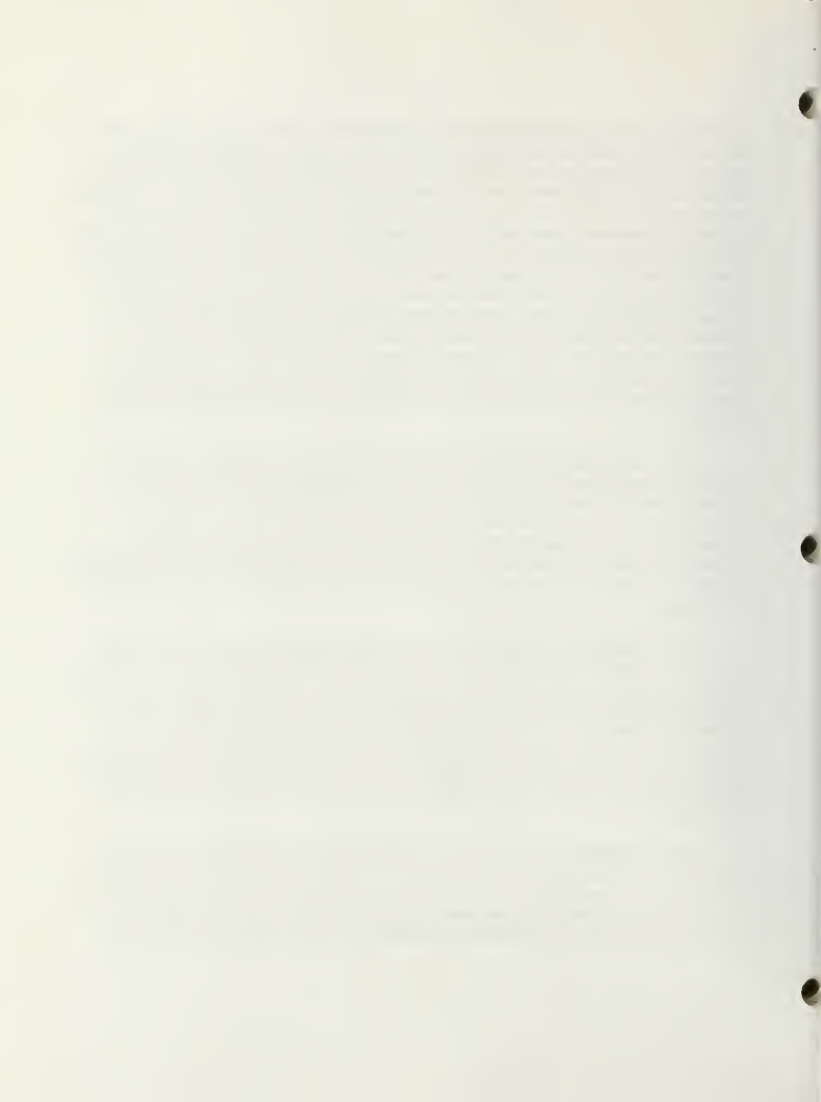


this Sublease and in the table of contents have been inserted for convenience of reference only and such captions shall in no way define or limit the scope or intent of any provision of this Sublease. This Sublease has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein and shall be interpreted to achieve the intents and purposes of the Parties, without any presumption against the party responsible for drafting any part of this Sublease. Provisions in this Sublease relating to number of days shall be calendar days, unless otherwise specified, provided that if the last day of any period to give notice, reply to a notice or to undertake any other action occurs on a Saturday, Sunday or a bank or Sublandlord holiday, then the last day for undertaking the action or giving or replying to the notice shall be the next succeeding business day. Use of the word "including" or similar words shall not be construed to limit any general term, statement or other matter in this Sublease, whether or not language of non-limitation, such as "without limitation" or similar words, are used. Unless otherwise provided herein, whenever the consent of Sublandlord is required to be obtained by Subtenant hereunder, Sublandlord may give or withhold such consent in its sole and absolute discretion.

20.7. Successors and Assigns. Subject to the provisions of Section 13, the terms, covenants and conditions contained in this Sublease shall bind and inure to the benefit of Sublandlord and Subtenant and, except as otherwise provided herein, their personal representatives and successors and assigns; provided, however, that upon any transfer by Sublandlord (or by any subsequent Sublandlord) of its interest in the Premises as lessee, including any transfer by operation of Law, Sublandlord (or any subsequent Sublandlord) shall be relieved from all subsequent obligations and liabilities arising under this Sublease subsequent to such transfer.

20.8. Brokers. Neither party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the Sublease contemplated herein. In the event that any broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes a claim shall be responsible for such commission or fee and shall Indemnify the other party from any and all Losses incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Sublease.

20.9. Severability. If any provision of this Sublease or the application thereof to any person, entity or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Sublease, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Sublease shall be valid and be enforceable to the fullest extent permitted by Law.



20.10. Governing Law. This Sublease shall be construed and enforced in accordance with the Laws of the State of California and the federal government.

20.11. Entire Agreement. This instrument (including the exhibits hereto, which are made a part of this Sublease) contains the entire agreement between the Parties and supersedes all prior written or oral negotiations, discussions, understandings and agreements. The Parties further intend that this Sublease shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including prior drafts of this Sublease and any changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Sublease. Subtenant hereby acknowledges that neither Sublandlord nor Sublandlord's Agents have made any representations or warranties with respect to the Premises or this Sublease except as expressly set forth herein, and no rights, easements or licenses are or shall be acquired by Subtenant by implication or otherwise unless expressly set forth herein. Notwithstanding the foregoing, the Parties shall make a good faith effort to negotiate mutually acceptable changes to this Sublease, if any, within ninety (90) days of the date hereof, provided however, that such changes, if any, shall be subject to the approval of the Master Landlord.

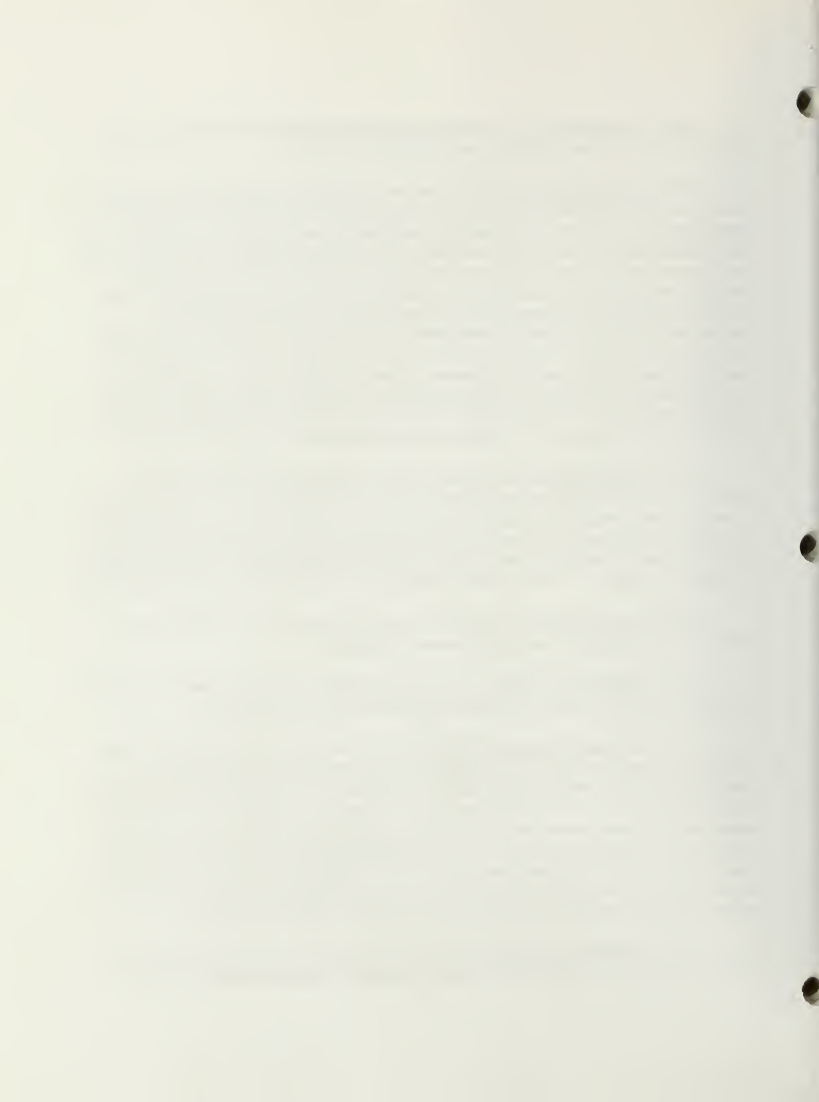
20.12. Attorneys' Fees. In the event that either Sublandlord or Subtenant fails to perform any of its obligations under this Sublease or in the event a dispute arises concerning the meaning or interpretation of any provision of this Sublease, the defaulting party or the party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party in enforcing or establishing its rights hereunder (whether or not such action is prosecuted to judgment), including, without limitation, court costs and reasonable attorneys' fees.

20.13. Time of Essence. Time is of the essence with respect to all provisions of this Sublease in which a definite time for performance is specified.

20.14. Cumulative Remedies. All rights and remedies of either party hereto set forth in this Sublease shall be cumulative, except as may otherwise be provided herein.

20.15. Survival of Indemnities. Termination of this Sublease shall not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the other party under this Sublease, nor shall it affect any provision of this Sublease that expressly states it shall survive termination hereof. Subtenant specifically acknowledges and agrees that, with respect to each of the indemnities contained in this Sublease, Subtenant has an immediate and independent obligation to defend Sublandlord and the other Indemnified Parties from any claim which actually or potentially falls within the indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to Subtenant by Sublandlord and continues at all times thereafter.

20.16. Relationship of Parties. Sublandlord is not, and none of the provisions in this Sublease shall be deemed to render Sublandlord, a partner in Subtenant's business, or joint



venturer or member in any joint enterprise with Subtenant. This Sublease is not intended nor shall it be construed to create any third party beneficiary rights in any third party, unless otherwise expressly provided. The granting of this Sublease by Sublandlord does not constitute authorization or approval by Sublandlord of any activity conducted by Subtenant on, in or relating to the Premises.

20.17. Recording. Subtenant agrees that it shall not record this Sublease nor any memorandum or short form hereof in the official records of any county.

20.18. Non-Liability of Indemnified Parties' officials, employees and Agents. No elective or appointive board, commission, member, officer or employee of any of the Indemnified Parties shall be personally liable to Subtenant, its successors and assigns, in the event of any default or breach by Sublandlord or for any amount which may become due to Subtenant, its successors and assigns, or for any obligation of Sublandlord under this Agreement.

20.19. No Discrimination. Subtenant shall comply with the non-discrimination provisions of Section 19.1 of the Master Lease, including, without limitation, posting all notices required therein.

20.20. Counterparts. This Sublease may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

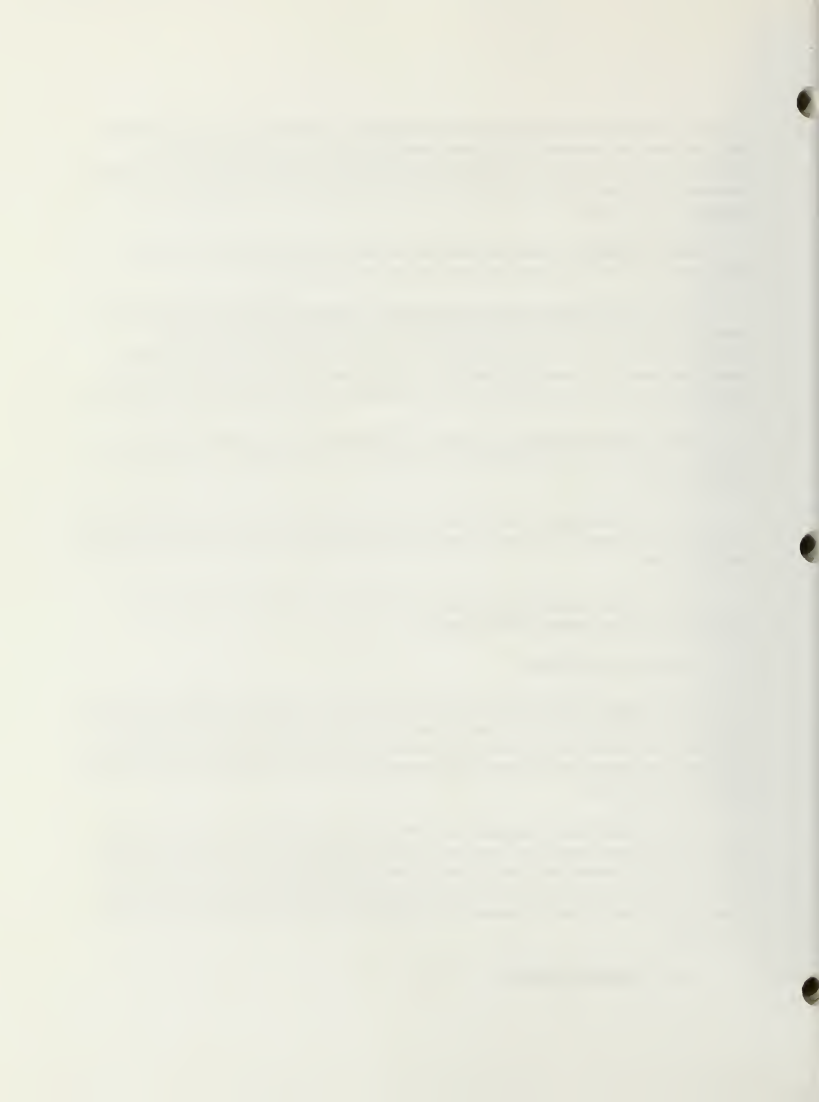
20.21. Master Landlord's Consent. This Sublease is expressly conditioned upon receipt of the written consent of Master Landlord

21. SPECIAL PROVISIONS

21.1. Signs. Subtenant agrees that it will not erect or maintain, or permit to be erected or maintained, any signs, notices or graphics upon or about the Premises which are visible in or from public corridors or other portions of any common areas of the Premises or from the exterior of the Premises, without Sublandlord's prior written consent, which Sublandlord may withhold or grant in its sole discretion.

21.2. Public Transit Information. Subtenant shall establish and carry on during the Term a program to encourage maximum use of public transportation by personnel of Subtenant employed on the Premises, including, without limitation, the distribution to such employees of written materials explaining the convenience and availability of public transportation facilities adjacent or proximate to the Premises and encouraging use of such facilities, all at Subtenant's sole expense.

21.3. Non-Discrimination.



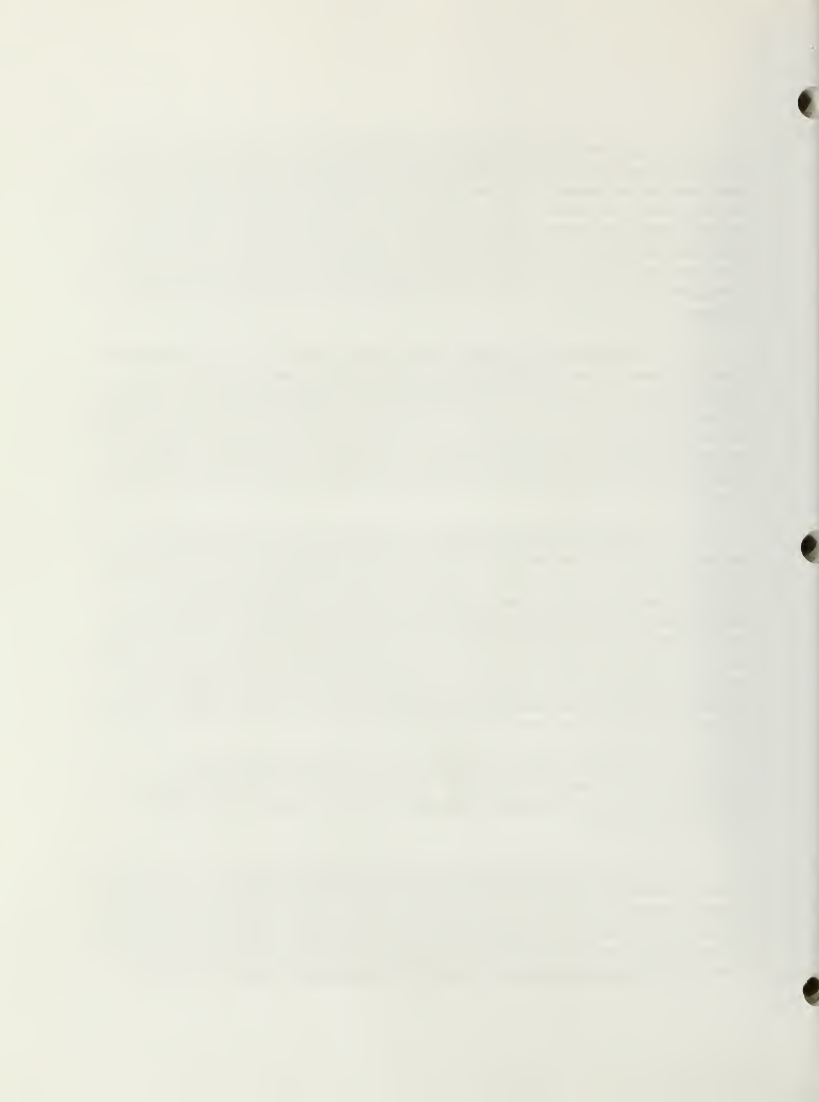
(a) Covenant Not to Discriminate. In the performance of this Sublease, Subtenant covenants and agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status) against any employee of, any City employee working with, or applicant for employment with, Subtenant in any of Subtenant's operations within the United States, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by Subtenant.

(b) Subleases and Other Subcontracts. Subtenant shall include in all Subleases and other subcontracts relating to the Premises a non-discrimination clause applicable to such Subtenant or other subcontractor in substantially the form of subsection (a) above. In addition, Subtenant shall incorporate by reference in all subleases and other subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require all Subtenants and other subcontractors to comply with such provisions. Subtenant's failure to comply with the obligations in this subsection shall constitute a material breach of this Sublease.

(c) Non-Discrimination in Benefits. Subtenant does not as of the date of this Sublease and will not during the Term, in any of its operations in San Francisco or where the work is being performed for the City or elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(d) HRC Form. Subtenant shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission (the "HRC").

(e) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the lease of City property are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Subtenant shall comply fully with and be bound by all of the provisions that apply to this Sublease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters.



Without limiting the foregoing, Subtenant understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Sublease may be assessed against Subtenant and/or deducted from any payments due Subtenant.

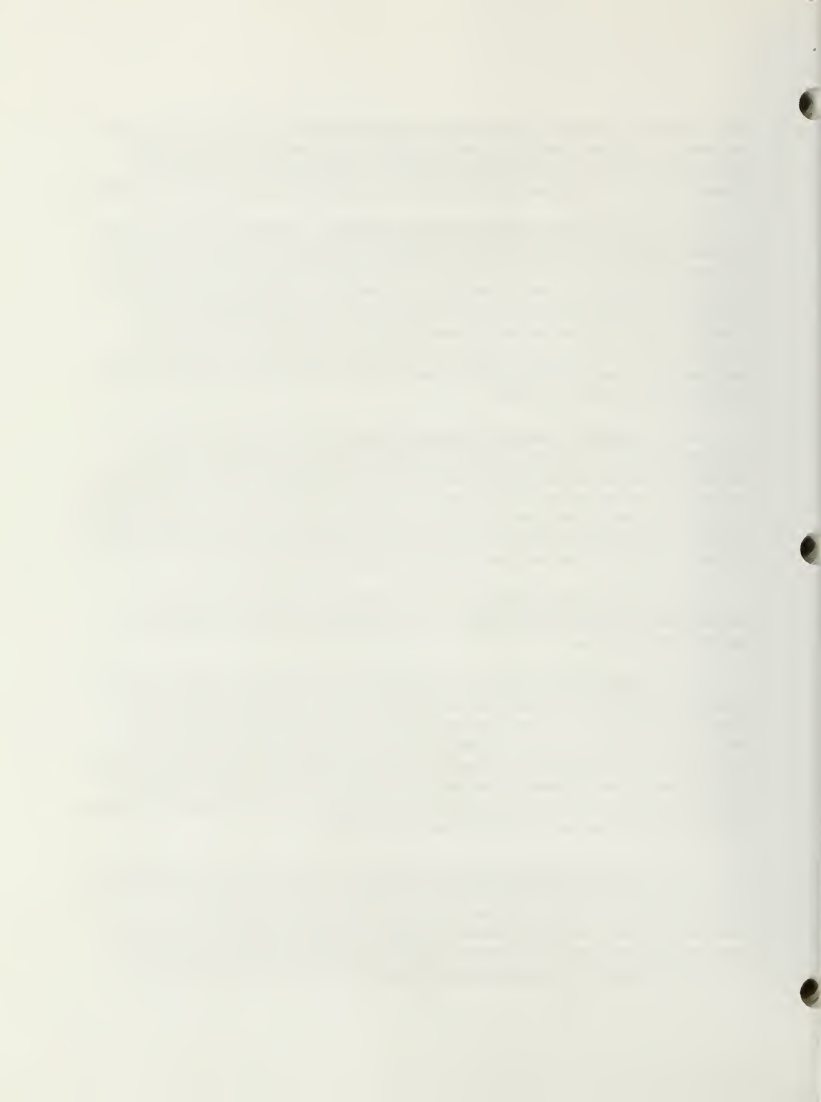
21.4. No Relocation Assistance; Waiver of Claims. Subtenant acknowledges that it will not be a displaced person at the time this Sublease is terminated or expires by its own terms, and Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all Claims against, and covenants not to sue, Sublandlord, its departments, commissions, officers, directors and employees, and all persons acting by, through or under each of them, under any laws, including, without limitation, any and all claims for relocation benefits or assistance from Sublandlord under federal and state relocation assistance laws (including, but not limited to, California Government Code Section 7260 et seq.), except as otherwise specifically provided in this Sublease with respect to a Taking.

21.5. MacBride Principles - Northern Ireland. The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, et seq. The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Subtenant acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

21.6. Tropical Hardwood Ban. The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product.

21.7. Conflicts of Interest. Subtenant states that it is familiar with the provisions of Section 8.105 and 8.106 of the San Francisco Charter and certifies that it knows of no facts which would constitute a violation of such provisions. Subtenant further certifies that it has made a complete disclosure to the Sublandlord of all facts bearing on any possible interests, direct or indirect, which Subtenant believes any officer or employee of the Sublandlord presently has or will have in this Sublease or in the performance thereof or in any portion of the profits thereof. Willful failure by Subtenant to make such disclosure, if any, shall constitute grounds for the Sublandlord's termination and cancellation of this Sublease.

21.8. Burma (Myanmar) Business Prohibition. Subtenant is not the government of Burma (Myanmar), a person or business entity organized under the laws of Burma (Myanmar) or a "prohibited person or entity" as defined in Section 12J.2(G) of the San Francisco Administrative Code. Sublandlord reserves the right to terminate this Sublease for default if Subtenant violates the terms of this clause. Chapter 12J of the San Francisco Administrative Code is hereby incorporated by reference as though fully set forth herein. The failure of



Subtenant to comply with any of its requirements shall be deemed a material breach of this Sublease. In the event Subtenant fails to comply in good faith with any of the provisions of Chapter 12J of the San Francisco Administrative Code, Subtenant shall be liable for liquidated damages for each violation in an amount equal to Subtenant's net profit under this Sublease, or 10% of the total amount of the Sublease, or \$1,000, whichever is greatest. Subtenant acknowledges and agrees the liquidated damages assessed shall be payable to the Sublandlord upon demand and may be setoff against any moneys due to the Subtenant from this Sublease.

21.9. Prevailing Wages for Construction Work. Subtenant agrees that to the extent any person performing labor in the construction of the Alterations required under Section 7 [Alterations] is paid wages for such labor, such person shall be paid not less than the highest prevailing rate of wages and that Subtenant shall include, in any contract for construction of such improvements, a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Subtenant further agrees that, as to the construction of such improvements under this Sublease, Subtenant shall comply with all the provisions of subsection (b) of San Francisco Charter Section A7.204 and Sections 6.33 through 6.45 of the San Francisco Administrative Code that relate to payment of prevailing wages. Subtenant shall require any contractor to provide, and shall deliver to Sublandlord every two weeks during any construction period, certified payroll reports with respect to all persons performing labor in the construction of any of the required alterations.

21.10. Prohibition of Tobacco Advertising. Subtenant acknowledges and agrees that no advertising of cigarettes or tobacco products is allowed on any real property owned by or under the control of the Authority or the City, including the Premises and the Property. This prohibition includes the placement of the name of a company producing selling or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. This prohibition does not apply to any advertisement sponsored by a state, local or nonprofit entity designed to communicate the health hazards of cigarettes and tobacco products or to encourage people not to smoke or to stop smoking.

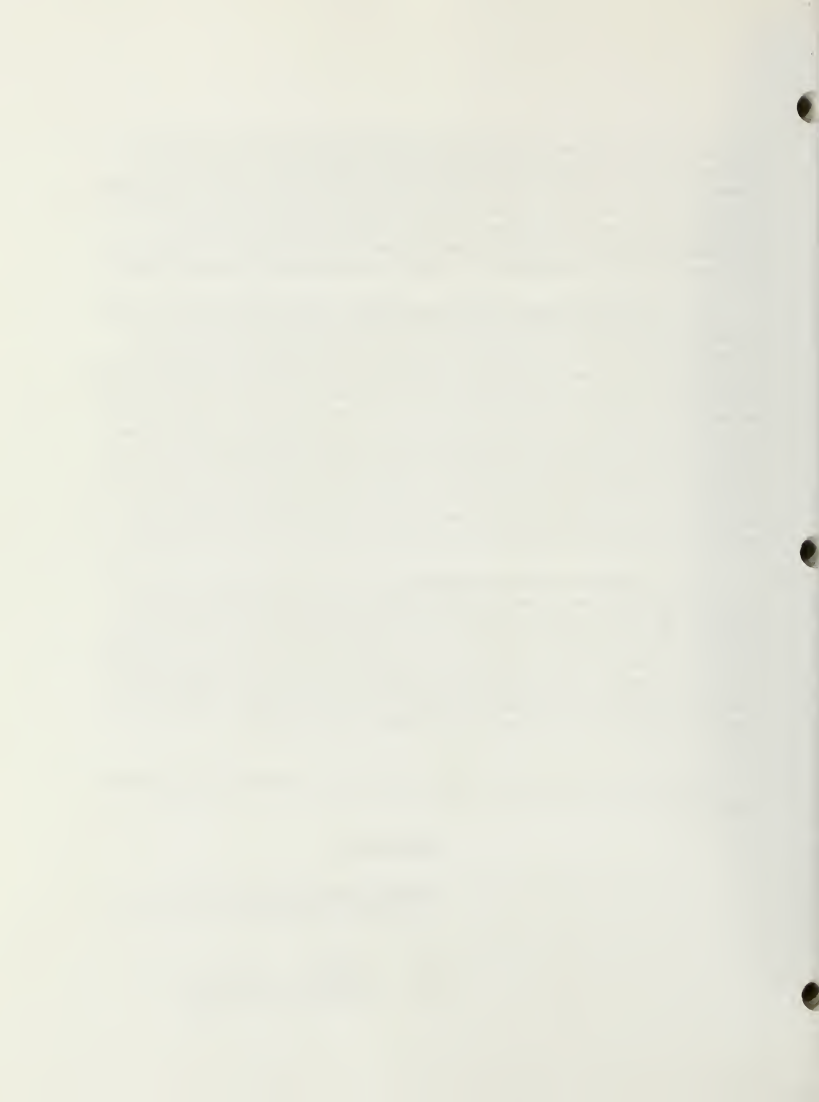
Sublandlord and Subtenant have executed this Sublease in triplicate as of the date first written above.

SUBTENANT:

Island Creative Management
a Limited Liability Corporation

By:

Its: 



SUBLANDLORD:

Treasure Island Development Authority

By: _____

Its: _____

ANNEMARIE CONROY
Executive Director
Treasure Island Development
Authority Project

Approved as to Form:

Deputy City Attorney



TREASURE ISLAND DEVELOPMENT AUTHORITY
City and County of San Francisco

Agenda Item No. 11

Meeting of February 9, 2000

Subject: Resolution authorizing the Authority to enter into a sublease with "Sweet November" Productions.

Contact/Phone: Annemarie Conroy, Executive Director
Daniel Hwang, Development Specialist
274-0660

SUMMARY OF PROPOSED ACTION

The staff is requesting the Authority to adopt a resolution to enter into a negotiated sublease with "Sweet November" Productions for the term from March 1, 2000 to June 30, 2000, in Building 180 (North-Side Only).

DISCUSSION

The sublease provides for use of the North-Side of Building 180 for film production for an initial term of four months with two one-month options to extend at a monthly rate of \$17,500. The resolution approves and authorizes the Executive Director to enter into the sublease on behalf of the Authority.

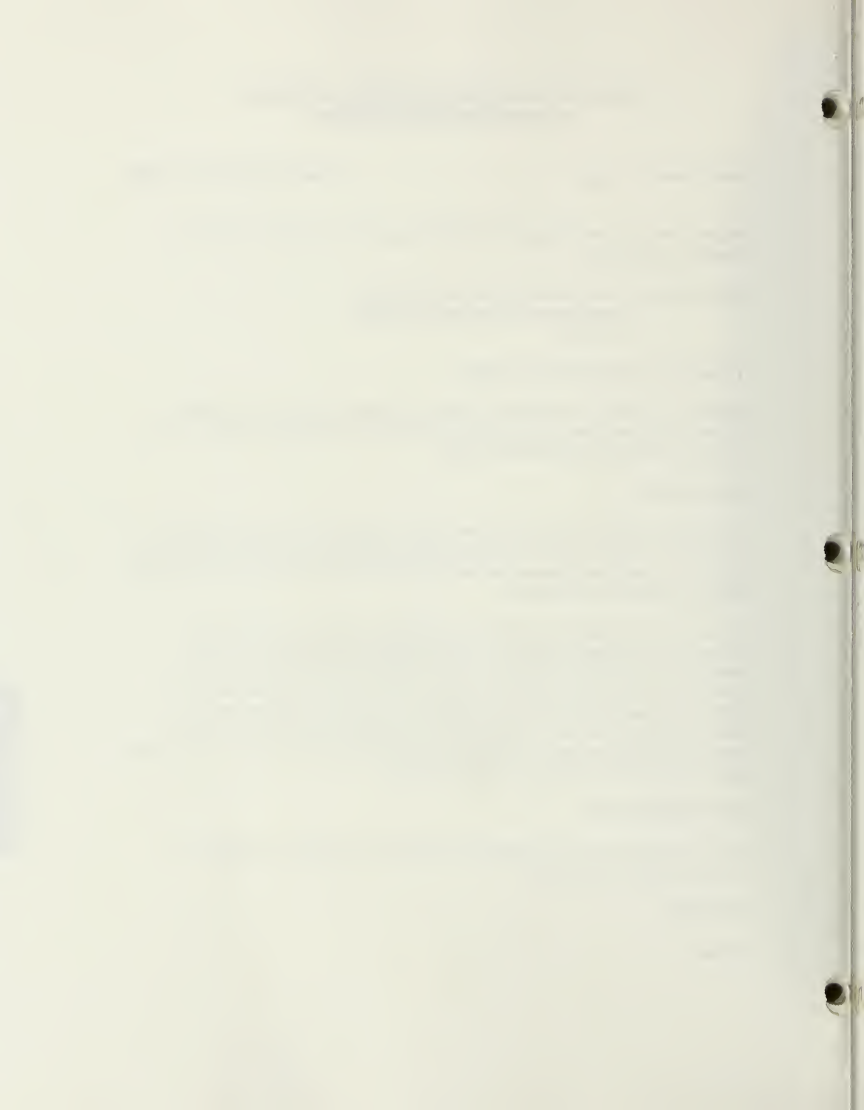
In order to meet the Subtenant's production deadlines, the Executive Director has executed on the Authority's behalf a one month sublease with "Sweet November" Productions for the month of February, 2000 according to sections 10 and 12 of the Authority's Rules and Regulations for Transfer of Real Property, adopted March 11, 1998. This section allows the Executive Director to enter into a month-to-month or shorter term leases, licenses, or subleases for a cumulative term of no more than six months without separate approval of the Authority. Other than the term, the terms of that sublease are the same with the one for approval today.

RECOMMENDATION

Staff recommends approval for the Executive Director to enter into a sublease with "Sweet November" Productions.

EXHIBITS

Sublease



FILE NO. _____

RESOLUTION NO. _____

1 [Sublease of Building 180]

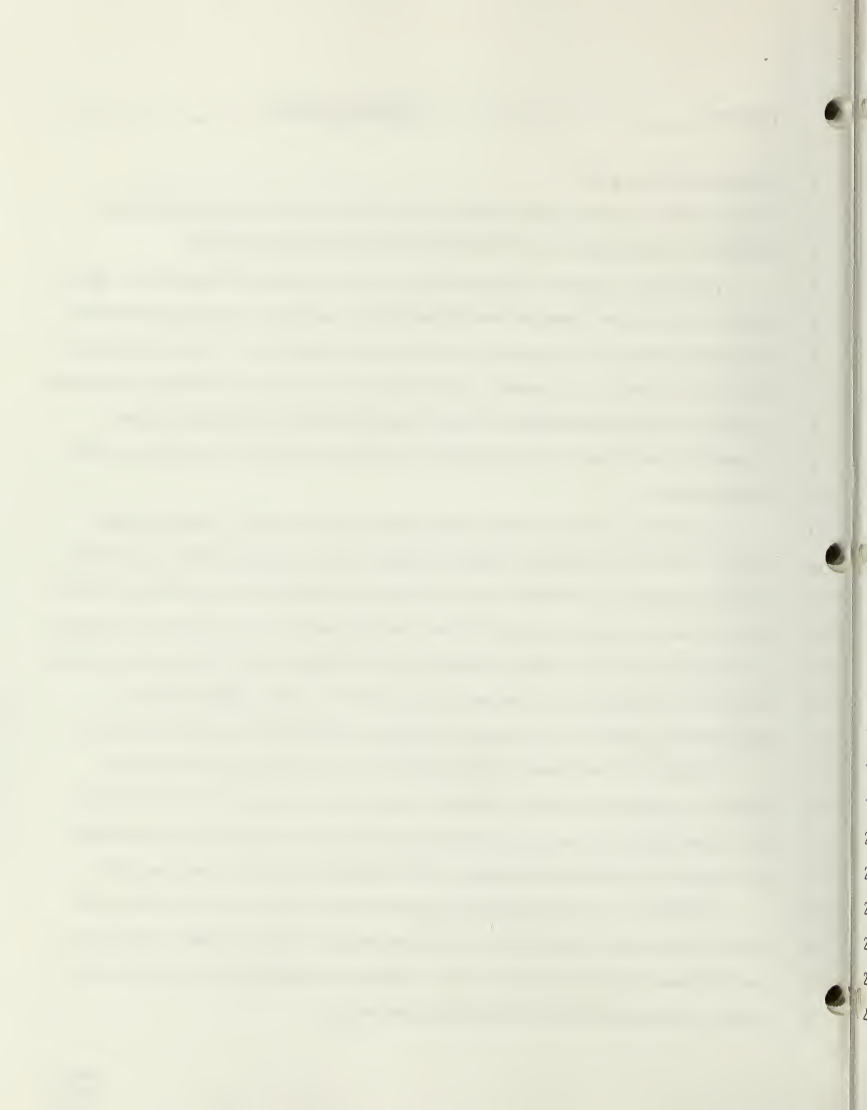
2 AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A SUBLEASE FOR A
3 PORTION OF BUILDING 180 WITH SWEET NOVEMBER PRODUCTIONS.

4 WHEREAS, On May 2, 1997, the Board of Supervisors passed Resolution No. 380-97,
5 authorizing the Mayor's Treasure Island Project Office to establish a nonprofit public benefit
6 corporation known as the Treasure Island Development Authority (the "Authority") to act as a
7 single entity focused on the planning, redevelopment, reconstruction, rehabilitation, reuse and
8 conversion of former Naval Station Treasure Island (the "Base") for the public interest,
9 convenience, welfare and common benefit of the inhabitants of the City and County of San
10 Francisco; and,

11 WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended
12 Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter
13 1333 of the Statutes of 1968 (the "Act"), the California legislature (i) designated the Authority
14 as a redevelopment agency under California redevelopment law with authority over the Base
15 upon approval of the City's Board of Supervisors, and, (ii) with respect to those portions of the
16 Base which are subject to the Tidelands Trust, vested in the Authority the authority to
17 administer the public trust for commerce, navigation and fisheries as to such property;; and,

18 WHEREAS, The Tidelands Trust prohibits the sale of trust property into private
19 ownership, generally requires that Tidelands Trust property be accessible to the public and
20 encourages public-oriented uses of trust property that, among other things, attract people to
21 the waterfront, promote public recreation, protect habitat and preserve open space; and,

22 WHEREAS, In order to facilitate productive reuse and job creation on the Base, the
23 Authority has leased certain property on the Base, including, without limitation, Building 180
24 (the "Premises"), from the Navy and, in turn, subleases or sublicenses such property to third-
25 parties or uses such property for municipal purposes; and,



1 WHEREAS, the Authority and Sweet November Productions, a film production
2 company and affiliate of Warner Bros., Inc, ("Subtenant") have negotiated the terms and
3 conditions of a sublease (the "Sublease") for use of the northern half of the Premises as a film
4 production facility, for an initial term of four months, with two one month options to extend,
5 and at a monthly rental rate of Seventeen Thousand Five Hundred Dollars (\$17,500) per
6 month, substantially in the form of the Sublease attached to this Resolution as Exhibit A (the
7 "Sublease"); Now, therefore, be it

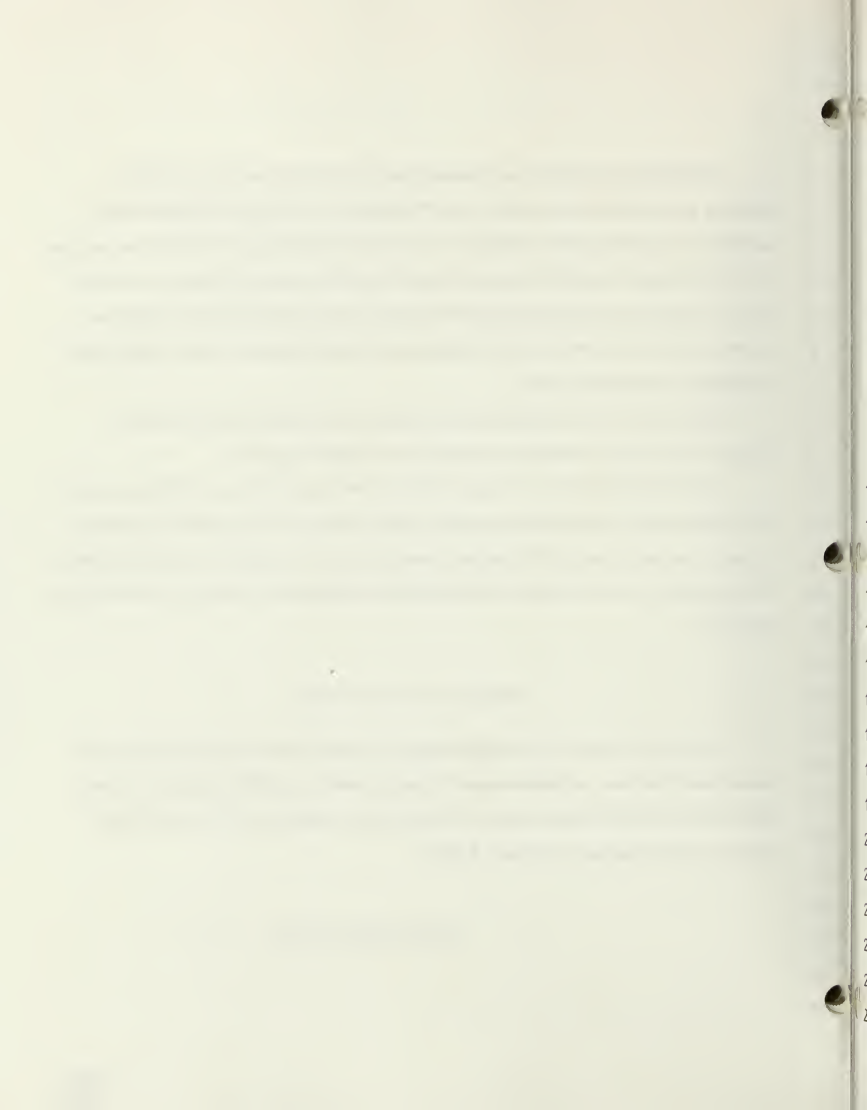
8 RESOLVED, That the Authority hereby approves and authorizes the Executive
9 Director to enter into on behalf of the Authority the Sublease; and, be it

10 FURTHER RESOLVED, That the Authority authorizes the Executive Director to enter
11 into modifications to the Sublease (including, without limitation, the attachment of exhibits)
12 that are in the best interests of the Authority and the City, do not materially change the terms
13 of the Sublease, and are necessary and advisable to effectuate the purpose and intent of this
14 resolution.

15
16 **CERTIFICATE OF SECRETARY**

17 *I hereby certify that I am the duly elected and acting Secretary of the Treasure Island*
18 *Development Authority, a California nonprofit public benefit corporation, and that the above*
19 *Resolution was duly adopted and approved by the Board of Directors of the Authority at a*
20 *properly noticed meeting on February 9, 2000.*
21

22
23 _____
24 John Elberling, Secretary
25



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2 EXHIBIT A
3

4 SUBLEASE
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SUBLEASE

between

THE TREASURE ISLAND DEVELOPMENT AUTHORITY

as Sublandlord

and

SWEET NOVEMBER PRODUCTIONS

as Subtenant

For the Sublease of

**Building 180 at Treasure Island Naval Station
San Francisco, California**

March 1, 2000

TREASURE ISLAND SUBLEASE

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LIST OF EXHIBITS:

EXHIBIT A -- Master Lease

EXHIBIT B -- Drawing of Premises

EXHIBIT C -- Seismic Report

EXHIBIT D -- Rules and Regulations

EXHIBIT E -- Utilities

TREASURE ISLAND SUBLEASE

THIS SUBLEASE (the "Sublease"), dated as of March 1, 2000, is by and between the Treasure Island Development Authority ("Sublandlord") and Sweet November Productions, a California corporation ("Subtenant"). From time to time, Sublandlord and Subtenant together shall be referred to herein as the "Parties".

This Sublease is made with reference to the following facts and circumstances:

A. The United States of America, acting by and through the Department of Navy ("Master Landlord") and Sublandlord entered into a lease dated September 4, 1998 (the "Master Lease"), a copy of which is attached hereto as Exhibit A. Under the Master Lease, the Master Landlord leased to Sublandlord, among other things, Building 180 (the "Building") located on Treasure Island Naval Station (the "Property"), together with a non-exclusive right to use certain related parking east of the Buildings, but no other (the "Parking").

B. Subtenant desires to sublet the northern portion of the Building, as more particularly shown on Exhibit B attached hereto (the "Premises") from Sublandlord and Sublandlord is willing to sublet the Premises to Subtenant on the terms and conditions contained in this Sublease.

NOW THEREFORE, Sublandlord and Subtenant hereby agree as follows:

1. PREMISES

1.1. Subleased Premises. Subject to the terms, covenants and conditions of this Sublease, Sublandlord subleases to Subtenant the Premises, including the improvements thereon and the non-exclusive right to use the Parking shown on Exhibit B.

1.2. As Is Condition of Premises.

(a) Inspection of Premises. Subtenant represents and warrants that Subtenant has conducted a thorough and diligent inspection and investigation, either independently or through its officers, directors, employees, agents, affiliates, subsidiaries, licensees and contractors, and their respective heirs, legal representatives, successors and assigns, and each of them, ("Subtenant's Agents") of the Premises and the suitability of the Premises for Subtenant's intended use. Subtenant is fully aware of the needs of its operations and has determined, based solely on its own investigation, that the Premises are suitable for its operations and intended uses. As part of its inspection of the Premises, Subtenant acknowledges

its receipt and review of the Seismic Report and the Structural Report referenced in Section 1.2(c) below and the Joint Inspection Report referenced in Section 6 of the Master Lease.

(b) **As Is; Disclaimer of Representations.** Subtenant acknowledges and agrees that the Premises are being subleased and accepted in their "AS IS, WITH ALL FAULTS" condition, without representation or warranty of any kind (excluding Sublandlord's representation that Sublandlord has the power and authority to enter into this Sublease), which representation shall remain in effect), and subject to all applicable laws, statutes, ordinances, resolutions, regulations, proclamations, orders or decrees of any municipal, county, state or federal government or other governmental or regulatory authority with jurisdiction over the Premises, or any portion thereof, whether currently in effect or adopted in the future and whether or not in the contemplation of the Parties, including without limitation the orders and citations of any regulatory authority with jurisdiction over life and safety issues concerning the Premises ("Laws") governing the use, occupancy, management, operation and possession of the Premises. Without limiting the foregoing, this Sublease is made subject to any and all covenants, conditions, restrictions, easements and other title matters affecting the Premises, or any portion thereof, whether or not of record. Subtenant acknowledges and agrees that neither Sublandlord nor any of its officers, directors, employees, agents, affiliates, subsidiaries, licensees and contractors, and their respective heirs, legal representatives, successors and assigns ("Sublandlord's Agents") have made, and Sublandlord hereby disclaims, any representations or warranties, express or implied, concerning (i) title or survey matters affecting the Premises, (ii) the physical, geological, seismological or environmental condition of the Premises, including, without limitation, the matters described in the Seismic Report (as defined below) (iii) the quality, nature or adequacy of any utilities serving the Premises, (iv) the feasibility, cost or legality of constructing any Alterations on the Premises if required for Subtenant's use and permitted under this Sublease, (v) the safety of the Premises, whether for the use of Subtenant or any other person, including Subtenant's Agents or Subtenant's clients, customers, vendors, invitees, guests, members, licensees, assignees or subtenants ("Subtenant's Invitees"), or (vi) any other matter whatsoever relating to the Premises or their use, including, without limitation, any implied warranties of merchantability or fitness for a particular purpose (excluding Sublandlord's representation that Sublandlord has the power and authority to enter into this Sublease, which representation shall remain in effect).

(c) **Seismic Report.** Without limiting Section 1.2 (b) above, Subtenant expressly acknowledges for itself and Subtenant's Agents that it received and read that certain report dated August 1995, entitled "*Treasure Island Reuse Plan: Physical Characteristics, Building and Infrastructure Conditions*," prepared for the Office of Military Base Conversion, Department of City Planning, and the Redevelopment Agency of the City and County of San Francisco, (the "Seismic Report"), a copy of the cover page of which is attached hereto as Exhibit C. Subtenant has had an adequate opportunity to review the Seismic Report with expert consultants of its own choosing. The Seismic Report, among other matters, describes the conditions of the soils and the Building and points out that in the area of the Property where the

Premises are located, an earthquake of magnitude 7 or greater is likely to cause the ground under and around the Premises to spread laterally to a distance of ten (10) or more feet and/or result in other risks. In that event, there is a significant risk that the Building and any other structures or improvements located on or about the Premises, may fail structurally and collapse.

Sublandlord will provide Subtenant with additional information about the seismic conditions of the Premises as it becomes available. Subtenant retains the right to terminate this Sublease at any time upon written notice to the Sublandlord if, on the basis of such additional information, it reasonably deems the Premises to be unsafe for occupancy.

2. COMPLIANCE WITH MASTER LEASE

2.1. Incorporation by Reference. All of the terms and conditions of the Master Lease are hereby incorporated by reference into this Sublease as if fully set forth herein

2.2. Performance of Master Landlord's Obligations. Sublandlord does not assume the obligations of Master Landlord under the Master Lease. With respect to work, services, repairs, restoration, the provision of utilities or HVAC services, or the performance of any other obligations required of Master Landlord under the Master Lease, Sublandlord's sole obligation with respect thereto shall be to request the same, on request in writing by Subtenant, and to use reasonable efforts to obtain the same from Master Landlord. Subtenant shall cooperate with Sublandlord as may be required to obtain from Master Landlord any such work, services, repairs, repainting, restoration, the provision of utilities or HVAC services, or the performance of any of Master Landlord's obligations under the Master Lease.

2.3. Compliance with Master Lease. Subtenant shall not do or permit to be done anything which would constitute a violation or a breach of any of the terms, conditions or provisions of the Master Lease or which would cause the Master Lease to be terminated or forfeited by virtue of any rights of termination reserved by or vested in the Master Landlord. Sublandlord acknowledges that Subtenant's activities permitted hereunder do not violate the terms of the Master Lease.

2.4. Automatic Termination. If the Master Lease terminates for any reason whatsoever, this Sublease shall automatically terminate and the Parties shall thereafter be relieved from all liabilities and obligations under this Sublease, except for liabilities and obligations which expressly survive termination of this Sublease. Subtenant acknowledges and agrees that it has reviewed the Master Lease, is aware of the circumstances upon which the Master Lease may be terminated and hereby assumes all risks associated with the automatic termination of this Sublease because of the termination of the Master Lease, except where the Master Lease is terminated due to the breach of Sublandlord..

3. TERM

3.1. **Term of Sublease.** The Premises are subleased for a term (the "Initial Term") commencing on March 1, 2000 (the "Commencement Date") and expiring on June 30, 2000 (the "Expiration Date"), subject to Section 3.2 below or unless sooner terminated or extended pursuant to the terms of this Sublease.

3.2. **Extension Option.**

(a) **Option to Extend Term.** Sublandlord grants to Subtenant two (2) successive one-month options to extend the Term of this Sublease as to the entire Premises only (the "Extension Options") each commencing upon the then applicable Expiration Date upon the following terms and conditions. Tenant may exercise either Extension Option at any time during the Term but if it determines to do so it must give written notice to Sublandlord thereof not less than thirty (30) days prior to the then applicable Expiration Date. If any uncured event of default by Subtenant is outstanding hereunder either at the time of Subtenant's exercise of the Extension Option or at any time prior to the first day of the Extension Term (or if any event shall have occurred which with the giving of notice or the passage of time or both would constitute such a default), then Sublandlord may elect by notice to Subtenant to reject Subtenant's exercise of the Extension Option, whereupon the Extension Option shall be null and void.

(b) **Base Rent and Other Terms.** If Subtenant elects to exercise the Extension Option, then the sublease for the Extension Term shall cover the entire Premises and shall be upon all of the terms, covenants and conditions of this Sublease.

3.3. **Effective Date.** This Sublease shall become effective on the date (the "Effective Date") upon which the later of the of (i) the Parties hereto have duly executed and delivered this Sublease and (ii) Sublandlord's Board of Directors approves this Sublease at duly noticed meeting.

4. RENT

4.1. **Base Rent.** Throughout the Term, beginning on the Commencement Date, Subtenant shall pay to Sublandlord Seventeen Thousand Five Hundred Dollars (\$17,500) per month (the "Base Rent"). Base Rent shall be paid to the Sublandlord without prior demand and without any deduction, setoff, or counterclaim whatsoever. Base Rent shall be payable on or before the first day of each month, in advance, at the Notice Address of Sublandlord provided in Section 20.1 hereof or such other place as Sublandlord may designate in writing. If the Commencement Date occurs on a date other than the first day of a calendar month, or the Sublease terminates on a day other than the last day of a calendar month, then the monthly payment of Rent for such fractional month shall prorated based on a thirty (30) day month.

4.2. **Additional Charges.** In addition to Base Rent, Subtenant shall pay any and all real property taxes, possessory interest taxes and other costs, impositions and expenses as provided in Section 4 hereof, plus all other charges otherwise payable by Subtenant to Sublandlord hereunder, including, without limitation, all late charges and default interest and all utility charges (together, the "Additional Charges"). Together, Base Rent and Additional Charges shall hereinafter be referred to as the "Rent".

4.3. **Late Charge.** If Subtenant fails to pay any Rent within ten (10) days after the date the same is due and payable, such unpaid amount will be subject to a late payment charge equal to six percent (6%) of the unpaid amount in each instance. The late payment charge has been agreed upon by Sublandlord and Subtenant, after negotiation, as a reasonable estimate of the additional administrative costs and detriment that Sublandlord will incur as a result of any such failure by Subtenant, the actual costs thereof being extremely difficult if not impossible to determine. The late payment charge constitutes liquidated damages to compensate Sublandlord for its damages resulting from such failure to pay and Subtenant shall promptly pay such charge to Sublandlord together with such unpaid amount.

4.4. **Default Interest.** If any Rent is not paid within ten (10) days following the due date, such unpaid amount shall bear interest from the due date until paid at the rate of the greater of the interest rate in effect which has been established by the Secretary of Treasury pursuant to Public Law, as described in Section 33 of the Master Lease, or ten percent (10%) per year. However, interest shall not be payable on late charges incurred by Subtenant nor on any amounts on which late charges are paid by Subtenant to the extent this interest would cause the total interest to be in excess of that which an individual is lawfully permitted to charge. Payment of interest shall not excuse or cure any default by Subtenant.

5. TAXES, ASSESSMENTS AND OTHER EXPENSES

5.1. **Taxes and Assessments, Licenses, Permit Fees and Liens.**

(a) **Payment Responsibility.** During the Term of this Sublease, Subtenant shall pay any and all real and personal property taxes, including, but not limited to, possessory interest taxes, general and special assessments, excises, licenses, permit fees and other charges and impositions of every description levied on or assessed against the Premises, any Alterations, Subtenant's Personal Property, or Subtenant's use of the Premises or any Alterations (prorated for Subtenant's use of the Premises). Subtenant shall make all such payments directly to the charging authority when due and payable and at least ten (10) days prior to delinquency. However, with respect to real property taxes and assessments levied on or assessed against the Premises for which Sublandlord receives the tax bill directly from the taxing authority, Subtenant shall reimburse Sublandlord for payment of such sums immediately upon demand.

(b) **Taxability of Possessory Interest.** Without limiting the foregoing, Subtenant recognizes and agrees that this Sublease may create a possessory interest subject to property taxation and that Subtenant may be subject to the payment of property taxes levied on such interest.

(c) **No Liens.** Subtenant shall not allow or suffer a lien for any taxes payable by Subtenant hereunder to be imposed upon the Premises or upon any equipment or other property located thereon without discharging the same as soon as practicable, and in no event subsequent to delinquency.

(d) **Reporting Information.** Subtenant agrees to provide such information as Sublandlord may reasonably request to enable Sublandlord to comply with any possessory interest tax reporting requirements applicable to this Sublease.

5.2. **Other Expenses.** This is a "triple net" Sublease. Accordingly, Subtenant shall be responsible for any and all other charges, costs and expenses related to its use, occupancy, operation or enjoyment of the Premises or any Alterations permitted thereon, including, without limitation, the cost of any utilities, maintenance or services necessary for Subtenant's use.

5.3. **Evidence of Payment.** Subtenant shall, upon Sublandlord's request, furnish to Sublandlord within ten (10) days after the date when any charges are due and payable, official receipts of the appropriate taxing authority or other evidence reasonably satisfactory to Sublandlord, evidencing payment thereof.

6. **USE; COVENANTS TO PROTECT PREMISES**

6.1. **Subtenant's Permitted Use.** Subtenant may use the Premises as a production facility for motion picture, commercial and television filming and related activities, including, without limitation, production offices and sound stage construction, but for no other purposes.

6.2. **Subtenant's Access to the Premises.** As provided in Section 30 of the Master Lease, Subtenant will have access to the Premises on a 24-hour, seven-days-a-week basis, provided however, Subtenant shall coordinate such access with the local representative of Master Landlord.

6.3. **Rules and Regulations.** Subtenant agrees to adhere to all rules and regulations regarding the Premises attached hereto as Exhibit D, any additional rules regarding security, ingress, egress, safety and sanitation applicable to the Premises or the Property, as such rules and regulations may be prescribed by Master Landlord or Sublandlord from time to time.

6.4. Easements. This Sublease shall be subject to all outstanding easements and rights-of-way for location of any type of facility over, across, in, and upon the Premises or any portion thereof, and to the right of Master Landlord to grant such additional easements and rights-of-way over, across, in and upon the Premises as Master Landlord shall determine to be in the public interest ("Additional Easements"), provided that, as provided in Section 29 of the Master Lease, Master Landlord shall use its best efforts to minimize any interference with Subtenant's operations hereunder caused by the granting of any such Additional Easements and the granting of such Additional Easements shall be conditioned on the assumption by the grantee thereof of liability to Subtenant for such damages as Subtenant shall suffer for property destroyed or property rendered unusable on account of the grantee's exercise of its rights thereunder. There is hereby reserved to the holders of such Additional Easements as are presently outstanding or which may hereafter be granted, to any workers officially engaged in the construction, installation, maintenance, operation, repair or replacement of facilities located thereon, and to any federal, state or local official engaged in the official inspection thereof, such reasonable rights of ingress and egress over the Premises as shall be necessary for the performance of their duties with regard to such facilities. Sublandlord is not aware of any Additional Easements or other encumbrances which would interfere with Subtenant's use of the Premises.

6.5. No Interference with Navy Operations. Subtenant shall not conduct operations, nor make any Alterations (as defined below), that would interfere with or otherwise restrict Master Landlord's operations or environmental clean-up or restoration actions by the Master Landlord, Sublandlord, the Environmental Protection Agency, the State of California or their contractors. Environmental clean-up, restoration or testing activities by these Parties shall take priority over the Subtenant's use of the Premises in the event of any conflict, provided, however, in such event, Master Landlord and Sublandlord shall use their best efforts to minimize any disruption of Subtenant's operation.

6.6. No Unlawful Uses, Nuisances or Waste. Without limiting the foregoing, but except as otherwise expressly permitted herein, Tenant shall not use, occupy or permit the use or occupancy of any of the Premises in any unlawful manner or for any illegal purpose, or permit any offensive, noisy or hazardous use or any waste on or about the Premises. Tenant shall take all precautions to eliminate any nuisances or hazards relating to its activities on or about the Premises. Tenant shall not conduct any business, place any sales display, or advertise in any manner in areas outside the Premises or on or about the Property.

7. ALTERATIONS

7.1. Construction of Alterations. Subtenant shall not construct, install, make or permit to be made any alterations, installations or additions ("Alterations") in, to or about the Premises, without Sublandlord's prior written consent in each instance, which consent may given or withheld in Sublandlord's sole and absolute discretion, provided however, that no consent shall be required for the construction of film production sets which does not affect any structural

portions of the Building. Subject to Sublandlord's consent as provided above, any permitted Alterations shall be done at Subtenant's sole expense (i) in strict accordance with plans and specifications approved in advance by Sublandlord in writing, (ii) by duly licensed and bonded contractors or mechanics approved by Sublandlord, (iii) in a good and professional manner, (iv) in strict compliance with all Laws, and (v) subject to all other conditions that Sublandlord may reasonably impose. In no event shall the construction, installation or the making of any Alterations impair the use or operation of the Property, or any portion thereof, or Sublandlord's or Master Landlord's access thereto. Prior to the commencement of any work on the Premises to construct any permitted Alterations, Subtenant, at its sole expense, shall procure all required permits and approvals and shall promptly upon receipt deliver copies of all such documents to Sublandlord. No material change from the plans and specifications approved by Sublandlord may be made without Sublandlord's prior consent, which consent shall not be unreasonably withheld. Sublandlord and Sublandlord's Agents shall have the right to inspect the course of such construction at all times.

7.2. Historic Properties. Without limiting the generality of the foregoing, Subtenant acknowledges and agrees that, pursuant to Section 15 of the Master Lease, no Alterations may be made to the Building (i) which will affect the historic characteristics of the Building or modify the appearance of the exterior of the Building without Master Landlord's and Sublandlord's prior written consent or (ii) if such Alterations would preclude qualifying the Building for inclusion on the National Register for Historic places.

7.3. Ownership of Alterations. Any Alterations constructed on or affixed to the Premises by or on behalf of Subtenant pursuant to the terms and limitations of Section 7.1 above shall be and remain Subtenant's property during the Term. Upon the termination of this Sublease, Subtenant shall remove all such Alterations from the Premises in accordance with the provisions of Section 18 hereof, unless Sublandlord, at its sole option and without limiting any of the provisions of Section 7.1 above, requires as a condition to approval of any such Alterations that such Alterations remain on the Premises following the expiration or termination of this Sublease or unless Sublandlord as a condition of such approval reserves the right to elect by notice to Subtenant not less than fifteen (15) days prior to the end of the Term to have such Alterations remain on the Premises.

7.4. Subtenant's Personal Property. All furniture, furnishings and articles of movable personal property and equipment installed in the Premises by or for the account of Subtenant that can be removed without structural or other material damage to the Premises (all of which are herein called "Subtenant's Personal Property") shall be and remain the property of Subtenant and may be removed by it subject to the provisions of Section 18 hereof.

(a) Intellectual Property Rights. All rights of every kind and nature whatsoever in and to all photography and sound recordings made hereunder in connection with use of the Premises by Subtenant shall be and remain the sole and exclusive property of

Subtenant and its agents, licensees and assigns (collectively, "Successors"), including, without limitation, the perpetual and irrevocable right to use, re-use, duplicate and re-create said photography and/or said sound recordings (including by means of motion picture, still video device, or photography), as Subtenant shall elect, and in connection with any motion picture, theme park, motion picture studio tour and/or merchandise, and in connection with any advertising, publicizing, exhibiting and exploiting of the same, in any manner whatsoever and at any time by all means, media, devices, processes and technology now or hereafter known or devised in perpetuity throughout the universe. Neither Sublandlord nor any other party now or hereafter claiming an interest in the Premises and/or interest through Sublandlord shall have any right of action against Subtenant or its Successors related to such photography and/or sound recordings, including, without limitation, any right to injunctive relief against Subtenant, its Successors, and any other party arising out of any use or non-use of said photography and/or sound recordings.

7.5. Sublandlord's Alterations of the Building and Building Systems. Sublandlord reserves the right at any time to make alterations, additions, repairs, deletions or improvements to the common areas or any other part of the Building or the Building Systems, provided that any such alterations or additions shall not materially adversely affect the functional utilization of the Premises for purposes stated herein, and provided further that such work shall comply with Subtenant's reasonable on-set rules and regulations.

8. REPAIRS AND MAINTENANCE

8.1. Subtenant Responsible for Maintenance and Repair. Subtenant assumes full and sole responsibility for the condition, operation, repair and maintenance and management of the Premises from and after the Commencement Date and shall keep the Premises in good condition and repair. Sublandlord shall not be responsible for the performance of any repairs, changes or alterations to the Premises, nor shall Sublandlord be liable for any portion of the cost thereof, except for repairs necessitated by Sublandlord's acts or omissions. Subtenant shall make all repairs and replacements, interior and exterior, structural as well as non-structural, ordinary as well as extraordinary, foreseen and unforeseen, which may be necessary to maintain the Premises at all times in the same condition as delivered to Subtenant at the Commencement Date and at all times in a clean, safe, attractive and sanitary condition and in good order and repair, to Sublandlord's and Master Landlord's reasonable satisfaction, provided, however, that neither Subtenant nor Sublandlord shall be required to make structural repairs or Alterations to correct conditions affecting the Premises existing prior to the Commencement Date. If any portion of the Premises is damaged by any activities conducted by Subtenant or Subtenant's Agents or Subtenant's Invitees hereunder, Subtenant shall promptly, at its sole cost, repair all such damage and restore the Premises to its previous condition.

8.2. Utilities. Sublandlord shall provide the basic building utilities and services described in the attached Exhibit E, (the "Standard Utilities and Services") to the Premises, subject to the terms and conditions contained therein. Subtenant shall be responsible for furnishing, at its sole costs, any utilities or services other than or in excess of the Standard Utilities and Services that Subtenant may need for its use of the Premises. Subtenant shall pay as Additional Charges, without set off or counterclaim, all amounts due and owing for such Standard Utilities and Services at the rates provided in and as otherwise set forth in Exhibit E.

8.3. Landscaping. Subtenant shall maintain the exterior landscaping of the Premises in good condition and repair.

8.4. No Right to Repair and Deduct. Subtenant expressly waives the benefit of any existing or future Laws or judicial or administrative decision that would otherwise permit Subtenant to make repairs or replacements at Sublandlord's expense, or to terminate this Sublease because of Sublandlord's failure to keep the Premises or any part thereof in good order, condition or repair, or to abate or reduce any of Subtenant's obligations hereunder on account of the Premises or any part thereof being in need of repair or replacement. Without limiting the foregoing, Subtenant expressly waives the provisions of California Civil Code Sections 1932, 1941 and 1942 or any similar Laws with respect to any right of Subtenant to terminate this Sublease and with respect to any obligations of Sublandlord hereunder or any right of Subtenant to make repairs or replacements and deduct the cost thereof from Rent.

9. LIENS

Subtenant shall keep the Premises free from any liens arising out of any work performed, material furnished or obligations incurred by or for Subtenant. In the event Subtenant does not, within five (5) days following the imposition of any such lien, cause the lien to be released of record by payment or posting of a proper bond, Sublandlord shall have in addition to all other remedies provided herein and by law or equity the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including, but not limited to, payment of the claim giving rise to such lien. All such sums paid by Sublandlord and all expenses it incurs in connection therewith (including, without limitation, reasonable attorneys' fees) shall be payable to Sublandlord by Subtenant upon demand. Sublandlord shall have the right at all times to post and keep posted on the Premises any notices permitted or required by law or that Sublandlord deems proper for its protection and protection of the Premises from mechanics' and materialmen's liens. Subtenant shall give Sublandlord at least fifteen (15) days' prior written notice of the commencement of any repair or construction on any of the Premises.

10. COMPLIANCE WITH LAWS

10.1. Compliance with Laws. Subtenant shall promptly, at its sole expense, maintain the Premises and Subtenant's use and operations thereon in strict compliance at all times with all

present and future Laws, whether foreseen or unforeseen, ordinary as well as extraordinary, provided however, that Subtenant shall not be required to make repairs or structural changes to the Premises required solely to correct conditions affecting the Premises existing prior to the Commencement Date or not caused by Subtenant's use of the Premises, unless the requirement for such changes is imposed as a result of any Alterations made or requested to be made by Subtenant. Such Laws shall include, without limitation, all Laws relating to health and safety and disabled accessibility including, without limitation, the Americans with Disabilities Act, 42 U.S.C.S. §§ 12101 et seq. and Title 24 of the California Code of Regulations, all present and future Environmental Laws (as defined in this Sublease below). No occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, and however extraordinary, shall give Subtenant any right to seek redress against Sublandlord for failing to comply with any Laws. Subtenant waives any rights now or hereafter conferred upon it by any existing or future Law to compel Sublandlord to make any repairs to comply with any such Laws, on account of any such occurrence or situation.

10.2. Regulatory Approvals.

(a) **Responsible Party.** Subtenant understands and agrees that Subtenant's use of the Premises and construction of Alterations permitted hereunder may require authorizations, approvals or permits from governmental regulatory agencies with jurisdiction over the Premises. To the extent such approvals or permits are required, Subtenant shall be solely responsible for obtaining any and all such regulatory approvals. Subtenant shall not seek any regulatory approval without first obtaining the written consent of Sublandlord, which consent shall not be unreasonably withheld. Subtenant shall bear all costs associated with applying for, obtaining and maintaining any necessary or appropriate regulatory approval and shall be solely responsible for satisfying any and all conditions imposed by regulatory agencies as part of a regulatory approval. Any fines or penalties levied as a result of Subtenant's failure to comply with the terms and conditions of any regulatory approval shall be timely and promptly paid and discharged by Subtenant, and Sublandlord shall have no liability, monetary or otherwise, for any such fines or penalties. Subtenant shall indemnify, protect, defend and hold harmless forever ("Indemnify") the Sublandlord and the Master Landlord including, but not limited to, all of their respective officers, directors, employees, agents, affiliates, subsidiaries, licensees, contractors, boards, commissions, departments, agencies and other subdivisions and each of the persons acting by, through or under each of them, and their respective heirs, legal representatives, successors and assigns, and each of them (the "Indemnified Parties") against any and all claims, demands, losses, liabilities, damages, liens, injuries, penalties, fines, lawsuits and other proceedings, judgments and awards and costs and expenses, including, without limitation, reasonable attorneys' and consultants' fees and costs ("Losses") arising in connection with Subtenant's failure to obtain or comply with the terms and conditions of any regulatory approval. Sublandlord shall reasonably cooperate with Subtenant to the extent such cooperation is necessary for Subtenant to fulfill its obligations under this Section 10.2,

10.3. Compliance with Sublandlord's Risk Management Requirements. Subtenant shall not do anything, or permit anything to be done, in or about the Premises or any Alterations permitted hereunder that would create any unusual fire risk, and shall take commercially reasonable steps to protect Sublandlord from any potential premises liability. Subtenant shall faithfully observe, at its expense, any and all reasonable requirements of Sublandlord's Risk Manager with respect thereto and with the requirements of any policies of commercial general, all risk property or other policies of insurance at any time in force with respect to the Premises and any Alterations as required hereunder.

11. ENCUMBRANCES

11.1. Encumbrance By Subtenant. Notwithstanding anything to the contrary contained in this Sublease, Subtenant shall not under any circumstances whatsoever create any mortgage, deed of trust, assignment of rents, fixture filing, security agreement, or similar security instrument, or other lien or encumbrance or assignment or pledge of an asset as security in any manner against the Premises or Sublandlord's or Subtenant's interest under this Sublease.

12. DAMAGE OR DESTRUCTION

12.1. Damage or Destruction to the Premises. In the case of damage to or destruction of the Premises by earthquake, fire or any other casualty, not caused by Subtenant or Subtenant's Agents or Subtenant's Invitees, whether insured or uninsured, which prevents Subtenant from operating the Premises for the purposes stated herein and the cost of repairing such damage exceeds Thirty Five Thousand Dollars (\$35,000), either Party may terminate this Sublease upon thirty (30) days prior written notice and upon any such termination Subtenant shall surrender the Premises in accordance with Section 18 (except for damage caused by the casualty pursuant to which the Sublease may be terminated under this Section 12.1) and both Parties shall be relieved of any liability for such termination or for repairing such damage. If neither Party terminates this Sublease as provided in this Section 12.1, Subtenant shall, at its sole cost, promptly restore, repair, replace or rebuild the Premises to the condition the Premises were in prior to such damage or destruction, subject to any changes made in strict accordance with the requirements of Section 7.1 above. Under no circumstances shall Sublandlord have any obligation to repair, replace or rebuild the Premises in the event of such a casualty.

12.2. No Abatement in Rent. In the event of any damage or destruction to the Premises, and if neither party terminates this Sublease as provided in Section 12.1 above, there shall be no abatement in the Rent payable hereunder.

12.3. Waiver. The Parties understand and agree that the foregoing provisions of this Section are intended to govern fully the rights and obligations of the Parties in the event of damage or destruction to the Premises or Alterations, and Sublandlord and Subtenant each hereby waives and releases any right to terminate this Sublease in whole or in part under Sections

1932.2 and 1933.4 of the Civil Code of California or under any similar Laws now or hereafter in effect, to the extent such rights are inconsistent with the provisions hereof.

13. ASSIGNMENT AND SUBLETTING

13.1. Restriction on Assignment and Subletting. Subtenant shall not directly or indirectly (including, without limitation, by merger, acquisition or other transfer of any controlling interest in Subtenant), voluntarily or by operation of Law, sell, assign, encumber, pledge or otherwise transfer any part of its interest in or rights with respect to the Premises, any Alterations or its interest in this Sublease, or permit any portion of the Premises to be occupied by anyone other than itself, or sublet any portion of the Premises, without Sublandlord's prior written consent in each instance, which Sublandlord may grant or withhold in its sole and absolute discretion, provided that Sublandlord may not unreasonably withhold its consent to Subtenant assigning or subletting the Premises to a subsidiary or affiliate of Subtenant.

14. DEFAULT; REMEDIES

14.1. Events of Default. Any of the following shall constitute an event of default ("Event of Default") by Subtenant hereunder:

(a) **Rent.** Any failure to pay Rent or other sums, including sums due for utilities, within ten (10) days of written notice from Sublandlord that such sums are due;

(b) **Covenants, Conditions and Representations.** Any failure to perform or comply with any other covenant, condition or representation made under this Sublease, provided Subtenant shall have a period of ten (10) days from the date of written notice from Sublandlord of such failure within which to cure such default under this Sublease, or, if such default is not capable of cure within such 10-day period, Subtenant shall have a reasonable period to complete such cure if Subtenant promptly undertakes action to cure such default within such 10-day period and thereafter diligently prosecutes the same to completion and uses its best efforts to complete such cure within sixty (60) days after the receipt of notice of default from Sublandlord.

(c) **Vacation or Abandonment.** Any abandonment of the Premises for more than fourteen (14) consecutive days; and

(d) **Bankruptcy.** The appointment of a receiver to take possession of all or substantially all of the assets of Subtenant, or an assignment by Subtenant for the benefit of creditors, or any action taken or suffered by Subtenant under any insolvency, bankruptcy, reorganization, moratorium or other debtor relief act or statute, whether now existing or hereafter amended or enacted.

14.2. Remedies. Upon the occurrence of an Event of Default by Subtenant, Sublandlord shall have the following rights and remedies in addition to all other rights and remedies available to Sublandlord at Law or in equity:

(a) **Terminate Sublease and Recover Damages.** The rights and remedies provided by law California Civil Code Section 1951.2 (damages on termination for breach), including, but not limited to, the right to terminate Subtenant's right to possession of the Premises and to recover the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of rental loss for the same period that Subtenant proves could be reasonably avoided, as computed pursuant to subsection (b) of such Section 1951.2. Sublandlord's efforts to mitigate the damages caused by Subtenant's breach of this Sublease shall not waive Sublandlord's rights to recover unmitigated damages upon termination.

(b) **Appointment of Receiver.** The right to have a receiver appointed for Subtenant upon application by Sublandlord to take possession of the Premises and to apply any rental collected from the Premises and to exercise all other rights and remedies granted to Sublandlord pursuant to this Sublease.

14.3. Sublandlord's Right to Cure Subtenant's Defaults. If Subtenant defaults in the performance of any of its obligations under this Sublease, then Sublandlord may at any time thereafter with five (5) days prior written notice (except in the event of an emergency as determined by Sublandlord where prior notice by Sublandlord is impractical), remedy such Event of Default for Subtenant's account and at Subtenant's expense. Subtenant shall pay to Sublandlord, as Additional Charges, promptly upon demand, all sums expended by Sublandlord, or other costs, damages, expenses or liabilities incurred by Sublandlord, including, without limitation, reasonable attorneys' fees, in remedying or attempting to remedy such Event of Default. Subtenant's obligations under this Section shall survive the termination of this Sublease. Nothing herein shall imply any duty of Sublandlord to do any act that Subtenant is obligated to perform under any provision of this Sublease, and Sublandlord's cure or attempted cure of Subtenant's Event of Default shall not constitute a waiver of Subtenant's Event of Default or any rights or remedies of Sublandlord on account of such Event of Default.

15. RELEASE AND WAIVER OF CLAIMS; INDEMNIFICATION

15.1. Release and Waiver of Claims. Subtenant, on behalf of itself and Subtenant's Agents, covenants and agrees that the Indemnified Parties shall not be responsible for or liable to Subtenant for, and, to the fullest extent allowed by any Laws, Subtenant hereby waives all rights against the Indemnified Parties and releases them from, any and all Losses, including, but not limited to, incidental and consequential damages, relating to any injury, accident or death of any person or loss or damage to any property, in or about the Premises, from any cause whatsoever, including without limitation, partial or complete collapse of the Building due to an earthquake or

subsidence, except only to the extent such Losses are caused by the negligence or willful misconduct of the Indemnified Parties (except as provided in Section 15.1(e) below). Without limiting the generality of the foregoing:

(a) Subtenant expressly acknowledges and agrees that the Rent payable hereunder does not take into account any potential liability of the Indemnified Parties for any consequential or incidental damages including, but not limited to, lost profits arising out of disruption to Subtenant's uses hereunder. Sublandlord would not be willing to enter into this Sublease in the absence of a complete waiver of liability for consequential or incidental damages due to the acts or omissions of the Indemnified Parties, and Subtenant expressly assumes the risk with respect thereto. Accordingly, without limiting any indemnification obligations of Subtenant or other waivers contained in this Sublease and as a material part of the consideration for this Sublease, Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all claims, demands, rights, and causes of action for consequential and incidental damages and covenants not to sue the Indemnified Parties for such damages arising out of this Sublease or the uses authorized hereunder, including, without limitation, any interference with uses conducted by Subtenant pursuant to this Sublease regardless of the cause.

(b) Without limiting any indemnification obligations of Subtenant or other waivers contained in this Sublease and as a material part of the consideration for this Sublease, Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all claims, demands, rights, and causes of action against, and covenants not to sue the Indemnified Parties under any present or future Laws, statutes, or regulations, including, but not limited to, any claim for inverse condemnation or the payment of just compensation under the law of eminent domain, or otherwise at equity, in the event that Sublandlord terminates this Sublease because of such claim for inverse condemnation or eminent domain.

(c) As part of Subtenant's agreement to accept the Premises in its "As Is" condition as provided herein, and without limiting such agreement and any other waiver contained herein, Subtenant on behalf of itself and its successors and assigns, waives its right to recover from, and forever RELEASES, WAIVES AND DISCHARGES, the Indemnified Parties from any and all Losses, whether direct or indirect, known or unknown, foreseen and unforeseen, that may arise on account of or in any way be connected with the physical or environmental condition of the Premises and any related improvements or any Laws or regulations applicable thereto or the suitability of the Premises for Subtenant's intended use.

(d) Subtenant acknowledges that it will not be a displaced person at the time this Sublease is terminated, and Subtenant fully RELEASES, WAIVES AND DISCHARGES, the Indemnified Parties from any and all Losses and any and all claims, demands or rights against any of the Indemnified Parties under any present and future Laws, including, without limitation, any and all claims for relocation benefits or assistance from the Indemnified Parties under federal and state relocation assistance laws.

(e) Without limiting any other waiver contained herein, Subtenant on behalf of itself and its successors and assigns, hereby waives its right to recover from, and forever RELEASES, WAIVES AND DISCHARGES, the Indemnified Parties from any and all Losses, whether direct or indirect, known or unknown, foreseen and unforeseen, that may arise on account of or in any way be connected with the Indemnified Parties decision to Sublease the Premises to the Subtenant, regardless of whether or not such decision is or may be determined to be an act of gross negligence or willful misconduct of the Indemnified Parties.

(f) Subtenant covenants and agrees never to file, commence, prosecute or cause to be filed, commenced or prosecuted against the Indemnified Parties any claim, action or proceeding based upon any claims, demands, causes of action, obligations, damages, losses, costs, expenses or liabilities of any nature whatsoever encompassed by the waivers and releases set forth in this Section 15.1.

(g) In executing these waivers and releases, Subtenant has not relied upon any representation or statement other than as expressly set forth herein.

(h) Subtenant had made such investigation of the facts pertaining to these waivers and releases it deems necessary and assumes the risk of mistake with respect to such facts. These waivers and releases are intended to be final and binding on Subtenant regardless of any claims of mistake.

(i) In connection with the foregoing releases, Subtenant acknowledges that it is familiar with Section 1542 of the California Civil Code, which reads:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Subtenant acknowledges that the releases contained herein includes all known and unknown, disclosed and undisclosed, and anticipated and unanticipated claims. Subtenant realizes and acknowledges that it has agreed upon this Sublease in light of this realization and, being fully aware of this situation, it nevertheless intends to waive the benefit of Civil Code

Section 1542, or any statute or other similar law now or later in effect. The waivers and releases contained herein shall survive any termination of this Sublease.

15.2. Subtenant's Indemnity. Subtenant, on behalf of itself and Subtenant's Agents, shall Indemnify the Indemnified Parties from and against any and all Losses arising out of Subtenant's use of the Premises, including but not limited to, any Losses arising directly or indirectly, in whole or in part, out of: (a) any damage to or destruction of any property owned by or in the custody of Subtenant or Subtenant's Agents or Subtenant's Invitees, (b) any accident, injury to or death of a person, including, without limitation, Subtenant's Agents and Subtenant's Invitees, howsoever or by whomsoever caused, occurring in, on or about the Premises (c) any default by Subtenant in the observation or performance of any of the terms, covenants or conditions of this Sublease to be observed or performed on Subtenant's part; (d) the use, occupancy, conduct or management, or manner of use, occupancy, conduct or management by Subtenant, Subtenant's Agents or Subtenant's Invitees or any person or entity claiming through or under any of them, of the Premises or any Alterations; (e) any construction or other work undertaken by Subtenant on or about the Premises whether before or during the Term of this Sublease; or (f) any acts, omissions or negligence of Subtenant, Subtenant's Agents or Subtenant's Invitees, in, on or about the Premises or any Alterations; except to the extent that such Indemnity is void or otherwise unenforceable under any applicable Laws in effect on or validly retroactive to the date of this Sublease and further except only to the extent such Losses are caused by the negligence or intentional wrongful acts and omissions of the Indemnified Parties. The foregoing Indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs and Sublandlord's costs of investigating any Loss. Subtenant specifically acknowledges and agrees that it has an immediate and independent obligation to defend Sublandlord and the other Indemnified Parties from any claim which actually or potentially falls within this indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to Subtenant by Sublandlord and continues at all times thereafter. Subtenant's obligations under this Section shall survive the expiration or sooner termination of this Sublease.

16. INSURANCE

16.1. Subtenant's Insurance. Subtenant shall procure and maintain throughout the Term of this Sublease and pay the cost thereof the following insurance:

(a) **Property Insurance.** Subtenant shall procure and maintain, at its own cost, a standard fire and extended coverage insurance policy insuring the Premises, including, without limitation, the Building and all fixtures, Alterations, furniture and equipment located thereon, in an amount not less than \$ 4,000,000.

(b) **Public Liability and Other Insurance.** Subtenant shall at all times, at its cost, also maintain insurance for the mutual benefit of Sublandlord and Subtenant against:

(i) Claims for personal injury under a policy of commercial general liability insurance, including without limitation, claims for bodily injury, property damage or employer's liability occurring in or upon the Premises, and covering claims arising from earthquakes or subsidence, in an amount not less than \$5,000,000 combined single limit. Such insurance shall provide coverage at least as broad as provided under Insurance Service Form Number CG-00-01-11-88.

(ii) Worker's compensation insurance with employer's liability insurance covering all persons employed and with respect to whom death or bodily injury claims could be asserted against Sublandlord, Subtenant, the Premises or any other Sublandlord property, in an amount not less than \$1,000,000 each accident.

(iii) Automobile liability insurance with limits not less than \$1,000,000 each occurrence combined single limit for bodily injury and property damage, including owned and non-owned and hired vehicles, if Subtenant uses automobiles in connection with its use of the Premises. Such insurance shall provide coverage at least as broad as provided under Insurance Service Form Number CA-00-01-06-92.

16.2. General Requirements. All insurance provided for under this Sublease shall be effected under valid enforceable policies issued by insurers of recognized responsibility and reasonably approved by Sublandlord.

(a) Should any of the required insurance be provided under a claims-made form, Subtenant shall maintain such coverage continuously throughout the term hereof and, without lapse, for a period of three (3) years beyond the expiration or termination of this Sublease, to the effect that, should occurrences during the Term give rise to claims made after expiration or termination of this Sublease, such claims shall be covered by such claims-made policies.

(b) All liability insurance policies shall be endorsed to provide the following:

(i) Cover Subtenant as the insured and the Sublandlord and the Master Landlord as additional insureds.

(ii) That such policies are primary insurance to any other insurance available to the additional insureds, with respect to any claims arising out of this Sublease, and that insurance applies separately to each insured against whom claim is made or suit is brought. Such policies shall also provide for severability of interests and that an act or omission of one of the named insureds which would void or otherwise reduce coverage shall not reduce or void the

coverage as to any insured, and shall afford coverage for all claims based on acts, omissions, injury or damage which occurred or arose (or the onset of which occurred or arose) in whole or in part during the policy period.

(iii) All policies shall be endorsed to provide thirty (30) days' advance written notice to Sublandlord of cancellation, non-renewal or reduction in coverage, mailed to the address(es) for Sublandlord set forth in the Basic Sublease Information.

16.3. Proof of Insurance. Subtenant shall deliver to Sublandlord certificates of insurance in form and with insurers satisfactory to Sublandlord, evidencing the coverages required hereunder, on or before the Commencement Date, and Subtenant shall provide Sublandlord with certificates thereafter at least thirty (30) days before the expiration dates of expiring policies. As to the insurance required pursuant to Section 16.1(b)(1) above, such certificate shall state, among other things, that such insurance coverage includes and shall cover Subtenant's indemnity obligations under Section 15.2 above. In the event Subtenant shall fail to procure such insurance, or deliver such certificates, Sublandlord may, at its option, procure the same for the account of Subtenant, and the cost thereof shall be paid to Sublandlord within five (5) days after delivery to Subtenant of bills therefor.

16.4. No Limitation on Indemnities. Subtenant's compliance with the provisions of this Section shall in no way relieve or decrease Subtenant's indemnification obligations herein or any of Subtenant's other obligations or liabilities under this Sublease.

16.5. Lapse of Insurance. Notwithstanding anything to the contrary in this Sublease, Sublandlord may elect in Sublandlord's sole and absolute discretion to terminate this Sublease upon the lapse of any required insurance coverage by written notice to Subtenant.

16.6. Subtenant's Personal Property. Subtenant shall be responsible, at its expense, for separately insuring Subtenant's Personal Property.

16.7. Waiver of Subrogation. Notwithstanding anything to the contrary contained herein, to the extent permitted by their respective policies of insurance, Sublandlord and Subtenant each hereby waive any right of recovery against the other party and against any other party maintaining a policy of insurance covering the Premises and their contents, or any portion thereof, for any loss or damage maintained by such other party with respect to the Premises, or any portion thereof or the contents of the same or any operation therein, whether or not such loss is caused by the fault or negligence of such other party. If any policy of insurance relating to the Premises carried by Subtenant does not permit the foregoing waiver or if the coverage under any such policy would be invalidated due to such waiver, Subtenant shall obtain, if possible, from the insurer under such policy a waiver of all rights of subrogation the insurer might have against Sublandlord or any other party maintaining a policy of insurance covering the same loss, in connection with any claim, loss or damage covered by such policy.

17. ACCESS BY SUBLANDLORD

17.1. Access to Premises by Sublandlord.

(a) **General Access.** Sublandlord reserves for itself and Sublandlord's Agents, the right to enter the Premises and any portion thereof at all reasonable times upon not less than twenty-four (24) hours oral or written notice to Subtenant (except in the event of an emergency) for any purpose.

(b) **Emergency Access.** In the event of any emergency, as determined by Sublandlord, Sublandlord may, at its sole option and without notice, enter the Premises and alter or remove any Alterations or Subtenant's Personal Property on or about the Premises. Sublandlord shall have the right to use any and all means Sublandlord considers appropriate to gain access to any portion of the Premises in an emergency. In such case, Sublandlord shall not be responsible for any damage or injury to any such property, nor for the replacement of any such property and any such emergency entry shall not be deemed to be a forcible or unlawful entry onto or a detainer of, the Premises, or an eviction, actual or constructive, of Subtenant from the Premises or any portion thereof.

(c) **No Liability.** Sublandlord shall not be liable in any manner, and Subtenant hereby waives any claims, for any inconvenience, disturbance, loss of business, nuisance or other damage arising out of Sublandlord's entry onto the Premises, except damage resulting directly and exclusively from the negligence or willful misconduct of Sublandlord or Sublandlord's Agents and not contributed to by the acts, omissions or negligence of Subtenant, Subtenant's Agents or Subtenant's Invitees.

17.2. Access to Premises by Master Landlord. Subtenant acknowledges and agrees that Master Landlord shall have all of the rights of access to the Premises described in the Master Lease.

18. SURRENDER

18.1. Surrender of the Premises. Upon the termination of this Sublease, Subtenant shall surrender to Sublandlord the Premises in the same condition as of the Commencement Date, ordinary wear and tear excepted, and free and clear of all liens, easements and other Encumbrances created or suffered by, through or under Subtenant. On or before any termination hereof, Subtenant shall, at its sole cost, remove any and all of Subtenant's Personal Property from the Premises and demolish and remove any and all Alterations from the Premises (except for any Alterations that Sublandlord agrees are to remain part of the Premises pursuant to the provisions of Section 7.3 above). In addition, Subtenant shall, at its sole expense, repair any damage to the Premises resulting from the removal of any such items and restore the Premises to their condition immediately prior to the presence of any Alterations. In connection therewith, Subtenant shall obtain any and all necessary permits and approvals, including, without limitation, any environmental permits, and execute any manifests or other documents necessary to complete the demolition, removal or restoration work required hereunder. Subtenant's obligations under this Section shall survive the termination of this Sublease. Any items of Subtenant's Personal Property remaining on or about the Premises after the termination of this Sublease may, at Sublandlord's option and after thirty (30) days written notice to Subtenant, be deemed abandoned and in such case Sublandlord may dispose of such property in accordance with Section 1980 et seq. of the California Civil Code or in any other manner allowed by Law.

If Subtenant fails to surrender the Premises to Sublandlord upon the termination of this Sublease as required by this Section, Subtenant shall Indemnify Sublandlord against all Losses resulting therefrom, including, without limitation, Losses made by a succeeding Subtenant resulting from Subtenant's failure to surrender the Premises.

19. HAZARDOUS MATERIALS

19.1. No Hazardous Materials. Subtenant covenants and agrees that neither Subtenant nor any of Subtenant's Agents or Subtenant's Invitees shall cause or permit any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment, including, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended, (42 U.S.C. Sections 9601 et seq.) or pursuant to Section 25281 of the California Health & Safety Code; any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos

containing materials whether or not such materials are part of the structure of any existing improvements on the Premises, or are naturally occurring substances on, in or about the Premises; and petroleum, including crude oil or any fraction thereof, and natural gas or natural gas liquids ("Hazardous Material") to be brought upon, kept, used, stored, generated or disposed of in, on or about the Premises or transported to or from the Premises without the prior written approval of Sublandlord, which approval may be withheld in Sublandlord's sole and absolute discretion. Subtenant shall immediately notify Sublandlord if and when Subtenant learns or has reason to believe there has been any release of Hazardous Material in, on or about the Premises. Sublandlord may from time to time request Subtenant to provide adequate information for Sublandlord to determine that any Hazardous Material permitted hereunder is being handled in compliance with all applicable federal, state or local Laws or policies relating to Hazardous Material (including, without limitation, its use, handling, transportation, production, disposal, discharge or storage) or to human health and safety, industrial hygiene or environmental conditions in, on, under or about the Premises and any other property, including, without limitation, soil, air and groundwater conditions ("Environmental Laws"), and Subtenant shall promptly provide all such information. Sublandlord and Sublandlord's Agents shall have the right to inspect the Premises for Hazardous Material and compliance with the provisions hereof at all reasonable times upon reasonable advance oral or written notice to Subtenant (except in the event of an emergency). Without limiting the foregoing, Subtenant acknowledges and agrees that it shall be bound by and will comply with the environmental protection provisions provided for in Section 13 of the Master Lease.

19.2. Subtenant's Environmental Indemnity. If Subtenant breaches any of its obligations contained in Section 19.1 above, or, if any act or omission or negligence of Subtenant or any of Subtenant's Agents or Subtenant's Invitees results in any spilling, leaking, pumping, pouring, emitting, discharging, injecting, escaping, leaching or dumping ("Release") of Hazardous Material in, on, under or about the Premises or the Property, without limiting Subtenant's general Indemnity contained in Section 15.2 above, Subtenant, on behalf of itself and Subtenant's Agents, shall Indemnify the Indemnified Parties, and each of them, from and against all any and all enforcement, investigation, remediation or other governmental or regulatory actions, agreements or orders threatened, instituted or completed pursuant to any Environmental Laws together with any and all Losses made or threatened by any third party against Sublandlord, Sublandlord's Agents, or the Premises, relating to damage, contribution, cost recovery compensation, loss or injury resulting from the presence, Release or discharge of any Hazardous Materials caused by Subtenant or its agents or invitees, including, without limitation, Losses based in common law, investigation and remediation costs, fines, natural resource damages, damages for decrease in value of the Premises, the loss or restriction of the use or any amenity of the Premises and attorneys' fees and consultants' fees and experts' fees and costs ("Hazardous Materials Claims") arising during or after the Term of this Sublease and relating to such Release caused by Subtenant or its agents or invitees. The foregoing Indemnity includes, without limitation, all costs associated with the investigation and remediation of Hazardous Material and with the restoration of the Premises or the Property to its prior condition including,

without limitation, fines and penalties imposed by regulatory agencies, natural resource damages and losses, and revegetation of the Premises or other Sublandlord property. Without limiting the foregoing, if Subtenant or any of Subtenant's Agents or Subtenant's Invitees, causes or permits the Release of any Hazardous Materials in, on, under or about the Premises or the Property, Subtenant shall, immediately, at no expense to Sublandlord, take any and all appropriate actions to return the Premises or other Sublandlord property affected thereby to the condition existing prior to such Release and otherwise investigate and remediate the Release in accordance with all Environmental Laws. Subtenant shall provide Sublandlord with written notice of and afford Sublandlord a full opportunity to participate in any discussions with governmental regulatory agencies regarding any settlement agreement, cleanup or abatement agreement, consent decree, permit, approvals, or other compromise or proceeding involving Hazardous Material.

19.3. Acknowledgment of Receipt of EBS and FOSL Reports. Subtenant hereby acknowledges for itself and Subtenant's Agents that, prior to the execution of this Sublease, it has received and reviewed the Environmental Baseline Survey ("EBS") and the Finding of Suitability to Lease ("FOSL") described in Section 7 of the Master Lease.

20. GENERAL PROVISIONS

20.1. Notices. Except as otherwise expressly provided in this Sublease, any notice given hereunder shall be effective only in writing and given by delivering the notice in person, or by sending it first class mail or certified mail with a return receipt requested or reliable commercial overnight courier, return receipt requested, with postage prepaid as follows:

Notice Address of Sublandlord: Treasure Island Development Authority
Treasure Island Project Office
410 Ave. of Palms
Building 1, 2nd Floor
Treasure Island
San Francisco, CA 94130
Attn: Executive Director
Fax No.: 415-274-0299

with a copy to: Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: Michael S. Cohen
Fax No.: (415) 554-4755

Notice Address of Subtenant: Sweet November Productions

C/O 400 Warner Blvd.
Burbank, CA 91522
Attn: Theatrical legal
Fax No. 808-954-3490

Notice Address of Master Landlord: Commanding Officer (Code 24)
Engineering Field Activity West
Naval Facilities Engineering Command
900 Commodore Drive
San Bruno, California 94066

Any Party hereunder may designate a new address for notice purposes hereunder at least ten (10) days prior to the effective date of such change. Any notice hereunder shall be deemed to have been given two (2) days after the date when it is mailed if sent by first class or certified mail, one day after the date it is made, if sent by commercial overnight carrier, or upon the date personal delivery is made, and any refusal by either Party to accept the attempted delivery of any notice, if such attempted delivery is in compliance with this Section 20.1 and applicable Laws, shall be deemed receipt of such notice.

20.2. Security Deposit. Subtenant shall pay to Sublandlord upon execution of this Sublease a security deposit in the amount of Thirty Five Thousand Dollars (\$ 35,000) as security for the faithful performance of all terms, covenants and conditions of this Sublease. Subtenant agrees that Sublandlord may (but shall not be required to) apply the security deposit in whole or in part to remedy any damage to the Premises caused by Subtenant, Subtenant's Agents or Subtenant's Invitees, or any failure of Subtenant to perform any other terms, covenants or conditions contained in this Sublease, without waiving any of Sublandlord's other rights and remedies hereunder or at Law or in equity. Should Sublandlord use any portion of the security deposit to cure any Event of Default by Subtenant hereunder, Subtenant shall immediately replenish the security deposit to the original amount, and Subtenant's failure to do so within five (5) days of Sublandlord's notice shall constitute a material Event of Default under this Sublease. Sublandlord's obligations with respect to the security deposit are solely that of debtor and not trustee. Sublandlord shall not be required to keep the security deposit separate from its general funds, and Subtenant shall not be entitled to any interest on such deposit. The amount of the security deposit shall not be deemed to limit Subtenant's liability for the performance of any of its obligations under this Sublease. To the extent that Sublandlord is not entitled to retain or apply the security deposit pursuant to this Section 20.3, Sublandlord shall return such security deposit to Sublandlord within forty-five (45) days of the termination of this Sublease.

20.3. No Implied Waiver. No failure by Sublandlord to insist upon the strict performance of any obligation of Subtenant under this Sublease or to exercise any right, power or remedy arising out of a breach thereof, irrespective of the length of time for which such failure continues, no acceptance of full or partial Rent during the continuance of any such breach, and

no acceptance of the keys to or possession of the Premises prior to the expiration of the Term by any Agent of Sublandlord, shall constitute a waiver of such breach or of Sublandlord's right to demand strict compliance with such term, covenant or condition or operate as a surrender of this Sublease. No express written waiver of any default or the performance of any provision hereof shall affect any other default or performance, or cover any other period of time, other than the default, performance or period of time specified in such express waiver. One or more written waivers of a default or the performance of any provision hereof shall not be deemed to be a waiver of a subsequent default or performance. The consent of Sublandlord given in any instance under the terms of this Sublease shall not relieve Subtenant of any obligation to secure the consent of Sublandlord in any other or future instance under the terms of this Sublease. The provisions of the Section 20.3 shall be mutual to the extent applicable.

20.4. Amendments. Neither this Sublease nor any term or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the Parties hereto.

20.5. Authority. The person signing below for Sublandlord represents and warrants that Sublandlord is a non-profit, public benefit corporation, and an instrumentality of the State of California and the City and County of San Francisco, and that he or she has the right and authority to execute this Sublease. If Subtenant signs as a corporation, a partnership or a limited liability company, each of the persons executing this Sublease on behalf of Subtenant does hereby covenant and warrant that Subtenant is a duly authorized and existing entity, that Subtenant has and is qualified to do business in California, that Subtenant has full right and authority to enter into this Sublease, and that each and all of the persons signing on behalf of Subtenant are authorized to do so. Upon Sublandlord's request, Subtenant shall provide Sublandlord with evidence reasonably satisfactory to Sublandlord confirming the foregoing representations and warranties. Without limiting the generality of the foregoing, Subtenant represents and warrants that it has full power to make the waivers and releases, indemnities and the disclosure set forth herein, and that it has received independent legal advice from its attorney as to the advisability of entering into a sublease containing those provisions and their legal effect.

20.6. Joint and Several Obligations. The word "Subtenant" as used herein shall include the plural as well as the singular. If there is more than one Subtenant, the obligations and liabilities under this Sublease imposed on Subtenant shall be joint and several.

20.7. Interpretation of Sublease. The captions preceding the articles and sections of this Sublease and in the table of contents have been inserted for convenience of reference only and such captions shall in no way define or limit the scope or intent of any provision of this Sublease. This Sublease has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein and shall be interpreted to achieve the intents and purposes of the Parties, without any presumption against the party responsible for drafting any part of this Sublease. Provisions in this Sublease relating to number of days shall be

calendar days, unless otherwise specified, provided that if the last day of any period to give notice, reply to a notice or to undertake any other action occurs on a Saturday, Sunday or a bank or Sublandlord holiday, then the last day for undertaking the action or giving or replying to the notice shall be the next succeeding business day. Use of the word "including" or similar words shall not be construed to limit any general term, statement or other matter in this Sublease, whether or not language of non-limitation, such as "without limitation" or similar words, are used. Unless otherwise provided herein, whenever the consent of Sublandlord is required to be obtained by Subtenant hereunder, Sublandlord may give or withhold such consent in its sole and absolute discretion.

20.8. Successors and Assigns. Subject to the provisions of Section 13, the terms, covenants and conditions contained in this Sublease shall bind and inure to the benefit of Sublandlord and Subtenant and, except as otherwise provided herein, their personal representatives and successors and assigns; provided, however, that upon any transfer by Sublandlord (or by any subsequent Sublandlord) of its interest in the Premises as lessee, including any transfer by operation of Law, Sublandlord (or any subsequent Sublandlord) shall be relieved from all subsequent obligations and liabilities arising under this Sublease subsequent to such transfer.

20.9. Brokers. Neither party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the Sublease contemplated herein. In the event that any broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes a claim shall be responsible for such commission or fee and shall indemnify the other party from any and all Losses incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Sublease.

20.10. Severability. If any provision of this Sublease or the application thereof to any person, entity or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Sublease, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Sublease shall be valid and be enforceable to the fullest extent permitted by Law.

20.11. Governing Law. This Sublease shall be construed and enforced in accordance with the Laws of the State of California and the federal government.

20.12. Entire Agreement. This instrument (including the exhibits hereto, which are made a part of this Sublease) contains the entire agreement between the Parties and supersedes all prior written or oral negotiations, discussions, understandings and agreements. The Parties

further intend that this Sublease shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including prior drafts of this Sublease and any changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Sublease. Subtenant hereby acknowledges that neither Sublandlord nor Sublandlord's Agents have made any representations or warranties with respect to the Premises or this Sublease except as expressly set forth herein, and no rights, easements or licenses are or shall be acquired by Subtenant by implication or otherwise unless expressly set forth herein.

20.13. Attorneys' Fees. In the event that either Sublandlord or Subtenant fails to perform any of its obligations under this Sublease or in the event a dispute arises concerning the meaning or interpretation of any provision of this Sublease, the defaulting party or the party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party in enforcing or establishing its rights hereunder (whether or not such action is prosecuted to judgment), including, without limitation, court costs and reasonable attorneys' fees.

20.14. Time of Essence. Time is of the essence with respect to all provisions of this Sublease in which a definite time for performance is specified.

20.15. Cumulative Remedies. All rights and remedies of either party hereto set forth in this Sublease shall be cumulative, except as may otherwise be provided herein.

20.16. Survival of Indemnities. Termination of this Sublease shall not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the other party under this Sublease, nor shall it affect any provision of this Sublease that expressly states it shall survive termination hereof. Subtenant specifically acknowledges and agrees that, with respect to each of the indemnities contained in this Sublease, Subtenant has an immediate and independent obligation to defend Sublandlord and the other Indemnified Parties from any claim which actually or potentially falls within the indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to Subtenant by Sublandlord and continues at all times thereafter.

20.17. Relationship of Parties. Sublandlord is not, and none of the provisions in this Sublease shall be deemed to render Sublandlord, a partner in Subtenant's business, or joint venturer or member in any joint enterprise with Subtenant. This Sublease is not intended nor shall it be construed to create any third party beneficiary rights in any third party, unless otherwise expressly provided. The granting of this Sublease by Sublandlord does not constitute authorization or approval by Sublandlord of any activity conducted by Subtenant on, in or relating to the Premises.

20.18. Recording. Subtenant agrees that it shall not record this Sublease nor any memorandum or short form hereof in the official records of any county.

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20.19. Non-Liability of Indemnified Parties' officials, employees and Agents. No elective or appointive board, commission, member, officer or employee of any of the Indemnified Parties shall be personally liable to Subtenant, its successors and assigns, in the event of any default or breach by Sublandlord or for any amount which may become due to Subtenant, its successors and assigns, or for any obligation of Sublandlord under this Agreement.

20.20. No Discrimination. Subtenant shall comply with the non-discrimination provisions of Section 19.1 of the Master Lease, including, without limitation, posting all notices required therein.

20.21. Production/Film Coordination. No filming on the Premises shall depict the U.S. Military in any manner and no filming will be allowed outside of the Building unless Subtenant obtains prior written approval from the Master Landlord. Subtenant further acknowledges and agrees to verify in writing to Master Landlord that any production being filmed at the Premises does not depict the U.S. Military in any manner (or to obtain the Master Landlord's consent thereto) and to furnish a copy of the shooting script to the Department of the Navy ("DON"), Navy Office of Information, 11000 Wilshire Blvd., Los Angeles, California 90024. Whether the U.S. Military is being depicted is the only aspect of script content that is appropriate for DON review. The portrayal of any subject material other than the U.S. Military is the sole responsibility of the Subtenant.

20.22. Acknowledgment of Sublandlord in Credits. Provided that the Picture is photographed in whole or in part at the Premises, Subtenant agrees to use good faith efforts to acknowledge the cooperation of the City and County of San Francisco and the Treasure Island Development Authority in the credits of the Picture on all positive prints of the Picture in the end titles. All other matters with respect to said credit, including, without limitation, the size, style, nature and placement thereof, shall be within the sole discretion of Subtenant. No casual or inadvertent failure of Subtenant to comply with the provisions of this Paragraph nor any failure on the part of third parties so to do shall constitute a breach of this Agreement by Subtenant.

20.23. Counterparts. This Sublease may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

20.24. Master Landlord's Consent. This Sublease is expressly conditioned upon receipt of the written consent of Master Landlord

20.25. Rights to Photographs and Sound Recordings. All rights to the photography and sound recordings made by Subtenant in connection with the Premises shall be solely owned by Subtenant in perpetuity in all media known and unknown throughout the Universe and Sublandlord shall have no rights, including, but not limited to, injunctive relief rights, with

respect to the use or non-use of any photography and/or sound recordings by Subtenant and/or its affiliates.

21. SPECIAL PROVISIONS

21.1. Signs. Subtenant agrees that it will not erect or maintain, or permit to be erected or maintained, any signs, notices or graphics upon or about the Premises which are visible in or from public corridors or other portions of any common areas of the Building or from the exterior of the Premises, without Sublandlord's prior written consent, which Sublandlord may withhold or grant in its sole discretion.

21.2. Public Transit Information. Subtenant shall establish and carry on during the Term a program to encourage maximum use of public transportation by personnel of Subtenant employed on the Premises, including, without limitation, the distribution to such employees of written materials explaining the convenience and availability of public transportation facilities adjacent or proximate to the Building and encouraging use of such facilities, all at Subtenant's sole expense.

21.3. Non-Discrimination in City Contracts and Benefits Ordinance.

(a) Covenant Not to Discriminate. In the performance of this Sublease, Subtenant covenants and agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status) against any employee of, any City employee working with, or applicant for employment with Subtenant, in any of Subtenant's operations within the United States, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by Subtenant.

(b) Sub-Subleases and Other Subcontracts. Subtenant shall include in all sub-subleases and other subcontracts relating to the Premises a non-discrimination clause applicable to such sub-subtenant or other subcontractor in substantially the form of subsection (a) above. In addition, Subtenant shall incorporate by reference in all sub-subleases and other subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require all sub-subtenants and other subcontractors to comply with such provisions. Subtenant's failure to comply with the obligations in this subsection shall constitute a material breach of this Sublease.

(c) Non-Discrimination in Benefits. Subtenant does not as of the date of this Sublease and will not during the Term, in any of its operations in San Francisco or elsewhere within the United States, discriminate in the provision of bereavement leave, family medical

leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(d) **Incorporation of Administrative Code Provisions by Reference.** The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the Sublease of City property are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Subtenant shall comply fully with and be bound by all of the provisions that apply to this Sublease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Subtenant understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Sublease may be assessed against Subtenant and/or deducted from any payments due Subtenant.

21.4. No Relocation Assistance; Waiver of Claims. Subtenant acknowledges that it will not be a displaced person at the time this Sublease is terminated or expires by its own terms, and Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all Claims against, and covenants not to sue, Sublandlord, its departments, commissions, officers, directors and employees, and all persons acting by, through or under each of them, under any laws, including, without limitation, any and all claims for relocation benefits or assistance from Sublandlord under federal and state relocation assistance laws (including, but not limited to, California Government Code Section 7260 et seq.), except as otherwise specifically provided in this Sublease with respect to a Taking.

21.5. MacBride Principles - Northern Ireland. The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, et seq. The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Subtenant acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

21.6. Tropical Hardwood Ban. The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product.

21.7. Conflicts of Interest. Subtenant states that it is familiar with the provisions of Section 8.105 and 8.106 of the San Francisco Charter and certifies that it knows of no facts which would constitute a violation of such provisions. Subtenant further certifies that it has made a complete disclosure to the Sublandlord of all facts bearing on any possible interests, direct or indirect, which Subtenant believes any officer or employee of the Sublandlord presently has or will have in this Sublease or in the performance thereof or in any portion of the profits thereof. Willful failure by Subtenant to make such disclosure, if any, shall constitute grounds for the Sublandlord's termination and cancellation of this Sublease.

21.8. Burma (Myanmar) Business Prohibition. Subtenant is not the government of Burma (Myanmar), a person or business entity organized under the laws of Burma (Myanmar) or a "prohibited person or entity" as defined in Section 12J.2(G) of the San Francisco Administrative Code. The Sublandlord reserves the right to terminate this Sublease for default if Tenant violates the terms of this clause.

Chapter 12J of the San Francisco Administrative Code is hereby incorporated by reference as though fully set forth herein. The failure of Subtenant to comply with any of its requirements shall be deemed a material breach of this Sublease. In the event Subtenant fails to comply in good faith with any of the provisions of Chapter 12J of the San Francisco Administrative Code, Subtenant shall be liable for liquidated damages for each violation in an amount equal to Subtenant's net profit under this Sublease, or 10% of the total amount of the Sublease, or \$1,000, whichever is greatest. Subtenant acknowledges and agrees the liquidated damages assessed shall be payable to the Sublandlord upon demand and may be setoff against any moneys due to the Subtenant from this Sublease.

21.9. Charter Provisions. This Sublease is governed by and subject to the provisions of the Charter of the City and County of San Francisco.

21.10. Prohibition of Tobacco Advertising. Subtenant acknowledges and agrees that no advertising of cigarettes or tobacco products is allowed on any real property owned by or under the control of the Authority, including the Premises and the Property. This prohibition includes the placement of the name of a company producing selling or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. This prohibition does not apply to any advertisement sponsored by a state, local or nonprofit entity designed to communicate the health hazards of cigarettes and tobacco products or to encourage people not to smoke or to stop smoking.

Sublandlord and Subtenant have executed this Sublease in triplicate as of the date first written above.

SUBTENANT:

SWEET NOVEMBER PRODUCTIONS

a _____

By:

Its: _____

SUBLANDLORD:

THE TREASURE ISLAND DEVELOPMENT
AUTHORITY

By: _____

Its: Executive Director

Approved as to Form:

Deputy City Attorney

EXHIBIT A

MASTER LEASE

EXHIBIT B

DIAGRAM OF THE PREMISES

EXHIBIT C

COVER PAGE OF THE SEISMIC REPORT

EXHIBIT D

RULES AND REGULATIONS

EXHIBIT E

STANDARD UTILITIES AND SERVICES









Minutes of Regular Meeting
Treasure Island Development Authority
February 9, 2000

Approved
3/23/00

Call to Order: 1:04 p.m. in Room 400, City Hall

Roll Call: Present: John Elberling, Vice Chair
James Morales (1:11)
William Fazande
Anne Halsted (1:11)
Doug Wong
Susan Po-Rufino

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Excused: Gerald Green

2. Approval of Minutes The minutes were approved

3. Communications

The Commission Secretary stated that there was one communication from John Steere advocating wetlands for Treasure Island. Ms. Conroy added that an additional communication from the gentleman who appeared at the January meeting commending TIDA staff enabling repairs on his apartment unit.

4. Report of the Treasure Island Project Director Annemarie Conroy

- Report on access to Treasure Island including public use last month- Ms. Conroy described a list of parties and events held on TI including a large party hosted by a pharmaceutical firm.
- Status of environmental clean up- Martha Walters stated that she had been working with the Navy on environmental clean-up both in the housing area and in Clipper Cove.
- Report on short-term leases- There are no new ones to report
- Report on San Francisco-Oakland Bay Bridge/Caltrans issues- Ms. Conroy reported that the City continues to meet with relevant federal and state agencies regarding the alignment and the retrofit.
- Report on TIHDI -Ms. Conroy reported that activities were going well with TIHDI with new families moving to TI and the Job Broker program going well.
- Legislation/hearings affecting Treasure Island- Ms. Conroy reported about two hearings before the two committees of the Board of Supervisors regarding the Catholic Charities subleases and funds reserved for monitoring the Navy's clean-up.

Mr. Elberling inquired about the status of additional Muni service and park and recreation services and facilities. Ms. Conroy stated that both items necessitated additional funds and stated that TIDA staff is working with both Departments and the Board of Supervisors to seek funds.

5. Ongoing Business by Directors and Introduction of New Business by members - There was none

6. Public Comment - There was none.

7. Report on management plan for California Engineering Contractors (CEC) laydown site on Treasure Island (*Discussion only*)

Mr. Proud described the history of the management plan and stated that the plan will be attached to the sublease with CEC. He stated that the plan describes proposed uses, path of travel, site design and layout including lighting and material storage.

2. The second part outlines the various methods and tools used to collect and analyze data. This includes both traditional manual methods and modern digital technologies, highlighting the benefits of each approach.

3. The third part focuses on the role of the management team in overseeing the data collection process. It stresses the need for clear communication and coordination between different departments to ensure that data is collected consistently and accurately.

4. The fourth part discusses the challenges faced during the data collection process, such as incomplete data or discrepancies between different sources. It provides strategies to address these challenges and ensure the integrity of the data.

5. The fifth part concludes by summarizing the key findings and recommendations. It reiterates the importance of a robust data collection system and suggests areas for future improvement and research.

8. Resolution approving amendment to lease with U.S. Navy to add Perimeter Path to leased premises (*Action item*)

This item was continued to the next regular meeting.

9. Resolution approving extension of month-to-month lease with W. Wong Construction for Building 62 (*Action item*)

Deputy Executive Director Bob Mahoney stated that Building 62 is a former warehouse now used as a storage facility. The proposal (Item #9) seeks to extend the current month to month lease beyond six months.

Mr. Morales inquired if there are any standards for building maintenance. Mr. Mahoney responded that the tenant is responsible for maintenance and fire protection. Deputy City Attorney Michael Cohen added that the building had been inspected by the Fire Department and met requirements for use as a storage facility.

Mr. Fazande moved approval and Ms. Halsted seconded. Approved 6-0.

10. Resolution approving extension of month-to-month lease with Island Creative Management (ICM) for Building 99 (*Action item*)

Mr. Mahoney stated that the 6000 square foot building has recently been used as an overflow facility for film production. Rent charged is \$6000 per month. ICM currently uses the building for set construction for movies, TV and Macworld.

Ms. Halsted asked if sometime in the future TIDA will revisit the terms of the sublease and Mr. Cohen responded that the lease provides that after six months, ICM must come back to TIDA if it seeks to continue its lease.

11. Resolution approving sublease with Sweet November Productions for Building 180 (*Action item*)

Development Specialist Daniel Hwang stated that Sweet November Productions is for four months at \$17,500 per month using half of Building 180.

Mr. Fazande asked if workers will be paid prevailing wages for any change in the building's interior. Mr. Cohen stated that no changes had been anticipated and so no requirement was included in the sublease. He added, however, that he had spoken with Sweet November's counsel who agreed to the insertion of such clause. Mr. Cohen stated that the resolution did not need to be changed to accommodate the change.

Bruce Franks, TIHDI's Job Broker, stated that he talked with Sweet November's production staff regarding an agreement for janitorial services.

Ms. Conroy complimented Mr. Hwang on his marketing efforts.

Ms. Halsted moved approval and Mr. Fazande seconded. Approved, 6-0.

12. Report on plans and conditions for San Francisco Sheriff's Department use of Treasure Island Brig (*Discussion only*)

Mr. Mahoney described the location of the Brig (using Powerpoint), and listed the improvements made by the Sheriff's Department to the Brig.



Mr. Mahoney introduced Chief Koehler who stated that the Brig is rated for 144 male inmates at the minimum to medium level. The facility will be a program facility meaning that inmates will be involved in drug rehab, anti-violence or education programs. No booking or inmate release will occur on TI. Chief Koehler described how visitors will be transported to TI.

Ms. Po-Rufino expressed concern regarding the distance between the Brig and the school and residential area. Chief Koehler described the security fencing and inmate exercise period. Ms. Conroy added that TIDA staff shares her concerns and that staff has been working for a long period of time with the Sheriff's Department.

Mr. Elberling inquired about the next steps in the process and Ms. Conroy stated that discussions will continue with the Department. Mr. Fazande asked about the proposed sublease term and Mr. Cohen responded that the proposed term is three years and at the end of the term, if everything goes well, a longer term may be negotiated.

Mr. Elberling inquired if the sublease must be approved by the Board of Supervisors and Mr. Cohen responded affirmatively because the Sheriff is a City Department and Because the lease exceeds \$1 million. Chief Koehler added that the Department was seeking funds to occupy the jail.

13. Adjourn

The meeting adjourned at 1:50 p.m.

OFFICE OF THE MAYOR
SAN FRANCISCO



WILLIE LEWIS BROWN, JR.

TREASURE ISLAND PROJECT
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SAN FRANCISCO, CA 94130
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TREASURE ISLAND DEVELOPMENT AUTHORITY
AGENDA FOR SPECIAL MEETING
THURSDAY, FEBRUARY 24, 2000-1 P.M.

Room 416, City Hall
1 Dr. Carlton Goodlett Place

Willie L. Brown, Jr., Mayor

DIRECTORS

John Elberling, Vice-Chairman
William Fazande
Susan Po-Rufino
Doug Wong

Gerald Green
Anne Halsted
James Morales

Annemarie Conroy
Executive Director
Treasure Island Development Authority

ORDER OF BUSINESS

1. Call to Order and Roll Call
2. Approval of Minutes
3. Public Comment
4. POSSIBLE CLOSED SESSION
 - Public Comment on all items relating to closed session
 - Vote on whether to hold closed session to confer with legal counsel. (San Francisco Administrative Section 67.11(b)).
5. CLOSED SESSION

CONFERENCE WITH REAL PROPERTY NEGOTIATOR

Property: Treasure Island Naval Base
Persons negotiating: Annemarie Conroy, Michael Cohen, Stephen Proud
Under negotiation:
Price _____ Terms of payment _____ Both ☒

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6. Reconvene in open session:

- Possible report on action taken in closed session. (Government Code section 54957.1 (a) (2) and San Francisco Administrative Code section 67.14 (b) (2).)
- Vote to elect whether to disclose any or all discussions held in closed session (San Francisco Administrative Code section 67.14(a).)

7. Adjourn

PLEASE NOTE: THE NEXT REGULAR MEETING OF WEDNESDAY, MARCH 8, 2000 HAS BEEN CANCELLED AND WILL BE RESCHEDULED TO A DATE DURING THE FOURTH WEEK OF MARCH

IMPORTANT NOTICE

Section 54954.1 of the Brown Act states that any person may request that a copy of the agenda of any meeting of the Treasure Island Authority be mailed at the time the agenda is mailed to members of the Authority. Section 54954.1 also states that the request for mailed copies of the agendas is valid for the calendar year in which it is filed and must be renewed January 1 of each year.

If you do not respond to this notice, you will be removed from the agenda mailing list effective March 1, 2000. If you have any questions, you may call Joan Rummelsburg at (415) 274-0660.

Disability Access

The Treasure Island Development Authority will meet at City Hall, 1 Dr. Carlton Goodlett Place. City Hall is accessible to persons using wheelchairs, and others with disabilities. For American Sign Language interpreters or use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please telephone 554-6789 at least 72 hours before a meeting.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals.

The closest accessible BART is Civic Center, three blocks from the City Hall at the intersection of Market, Grove and Hyde Streets. Accessible MUNI lines serving this location are: #42 Downtown Loop, 9 San Bruno and the #71 Haight/Noriega. Accessible Muni Metro lines are J, K, L, M and N stopping at the Muni Metro Civic Center Station at Market and Van Ness. For more information about MUNI accessible services, call 923-6142.

Accessible curbside parking is available on Grove Street.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review.

For more information on your rights under the Sunshine Ordinance [Chapter 67 of the San Francisco Administrative Code] or to report a violation of the ordinance, contact Rachel Arnstine O'Hara, Clerk, Sunshine Ordinance Task Force at City Hall, Room 362, 1 Carlton B. Goodlett Place, San Francisco, CA 94102-4683. The Task Force's telephone and fax numbers are (415) 554-6171 and (415) 554-6177 (fax). Ms. Arnstine O'Hara's e-mail address is Rachel_ArnstineO'hara@ci.sf.ca.us. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.ci.sf.ca.us.

Lobbyist Ordinance

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Administrative Code 16.520-16.534] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 1390 Market Street, #701, San Francisco, CA 94102, telephone (415) 554-9510, fax (415) 703-0121 and web site <http://www.ci.sf.ca.us/ethics/>.

Treasure Island Development Authority

410 Palm Avenue, Building 1, 2nd Floor

Treasure Island

San Francisco, CA 94130



Ms. Susan Hom
Government Info Center
Main Library
100 Larkin St.
San Francisco, CA 94102

NOTICE OF SPECIAL MEETING AND CANCELLATION OF REGULAR MARCH 8, 2000 MEETING

The regular meetings of the Treasure Island Development Authority are held the 2nd Wednesday of each month at 1 p.m. in Hearing Room 400 in City Hall, 1 Dr. Carlton B. Goodlett Place.

A binder of supporting material is available for public viewing at the Mayor's Treasure Island Project office, 410 Palm Avenue, on Treasure Island and at the Government Information Center reference desk, Main Library, Civic Center.

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Treasure Island Development Authority

MINUTES FOR REGULAR MEETING FEBRUARY 24, 2000

1 P.M. Room 416, City Hall
1 Dr. Carlton Goodlett Place

1. Call to Order: 1:20 p.m. in Room 400, City Hall Roll Call: Present: John Elberling, Vice Chair James Morales (1:30) William Fazande Anne Halsted (1:25) Doug Wong (left 3:25) Susan Po-Rufino Excused: Gerald Green

2. Approval of Minutes: Continued until next regular meeting

3. Public Comment: Ruth Gravanis inquired about the topic of the Closed Session

4. POSSIBLE CLOSED SESSION

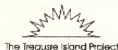
- Public Comment on all items relating to closed session
- Ruth Gravanis inquired about the topic of the Closed Session
- Vote on whether to hold closed session to confer with legal counsel. (San Francisco Administrative Section 67.11(b). There was a unanimous vote in favor of the motion to hold closed session.

5. **CLOSED SESSION** The Authority met in closed session to discuss real estate negotiations.

- Discussion and vote on whether to disclose action taken or discussions held in Closed Session.
- Motion that the Treasure Island Development Authority elects at this time not to disclose its closed session deliberations. Passed unanimously.

6. **Adjourn** - The meeting adjourned at 3:35 p.m.

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